Ontario

MONITORING CANADA'S ACCOMMODATION INDUSTRY DURING A CHALLENGING YEAR – 2003

THE IMPACTS OF THE IRAQ WAR and SARS

Report #2

QUARTER 2 2003 RESULTS

Prepared For:

Ontario Ministry of Tourism and Recreation and
Canadian Tourism Commission

Prepared by:

PKF CONSULTING

August 2003

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RE: THE IMPACTS OF THE IRAQ WAR and SARS ON CANADA'S ACCOMMODATION INDUSTRY – QUARTER 2 2003 RESULTS

In accordance with the terms of engagement, PKF Consulting is pleased to present the results of our analysis of the impacts of the Iraq War and SARS on the accommodation industry in Canada, during the 2nd Quarter of 2003. This report is the **second** in a series of quarterly reports, which will be issued throughout the balance of 2003, as we continue to monitor Canada's accommodation industry throughout this challenging year.

While the Canadian accommodation industry started the year off well, posting a 2.6% increase in overnight demand in January and February 2003, demand levels started slipping by 1% in March,and thereafter fell sharply by 11% in April, another 9% in May and a further 10% in June. While the industry reported a loss of close to 23,000 room nights in March, April results deteriorated rapidly to a shortfall of over 662,000 occupied room nights. May was almost as equally devastating with over 590,000 room nights lost, with the losses in June accelerating to 732,000 occupied room nights. In all since March, the industry has suffered a total deficit of over 2 Million room nights in comparison to last year's performance. During the 2nd Quarter, Canada's room revenue damage totalled close to $320 Million. Accounting for the other on-site ancillary sources of revenue generated by the accommodation sector, Canada's combined accommodation revenue loss during the 2nd Quarter is estimated at $491 Million.

We appreciate this opportunity to provide our services in this ongoing analysis. Should you have any questions regarding the preceding analysis, please do not hesitate to contact us at your convenience.

Yours very truly,

PKF Consulting

PKF CONSULTING

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EXECUTIVE SUMMARY

MEASURING THE IMPACTS OF THE IRAQ WAR AND SARS ON CANADA'S ACCOMMODATION INDUSTRY – QUARTER 2 RESULTS

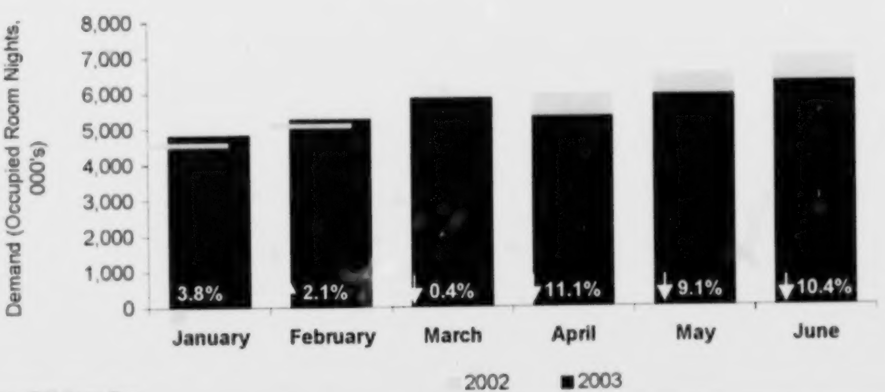
Prior to the onset of SARS (Severe Acute Respiratory Syndrome), there were differing opinions as to where the accommodation industry in Canada was headed. Most had expected a recovery in 2002 that never materialized and generally speaking the industry was approaching 2003 with guarded optimism. In late March, the Ontario Ministry of Tourism & Recreation and the Canadian Tourism Commission retained PKF Consulting to monitor the impact of the then impending war in Iraq on the Canadian Accommodation Industry. Shortly thereafter, the study was broadened to include the impact of the SARS crisis, which today dominates the ongoing study.

2 Million Room Nights Lost in the 2nd Quarter Across Canada

While the Canadian accommodation industry started the year off well, posting a 2.6% increase in overnight demand in January and February 2003, demand levels started slipping by 1% in March, and thereafter fell sharply by 11% in April, another 9% in May and a further 10% in June. While the industry reported a loss of close to 23,000 room nights in March, April results deteriorated rapidly to a shortfall of over 662,000 occupied room nights. May was almost as equally devastating with over 590,000 room nights lost, with the losses in June accelerating to 732,000 occupied room nights. In all since March, the industry has suffered a total deficit of over 2 Million room nights in comparison to last year's performance.

Exhibit 1:

National SARS & Iraq War Impacts on Occupied Room Nights
(1st Half 2003 vs. 2002)

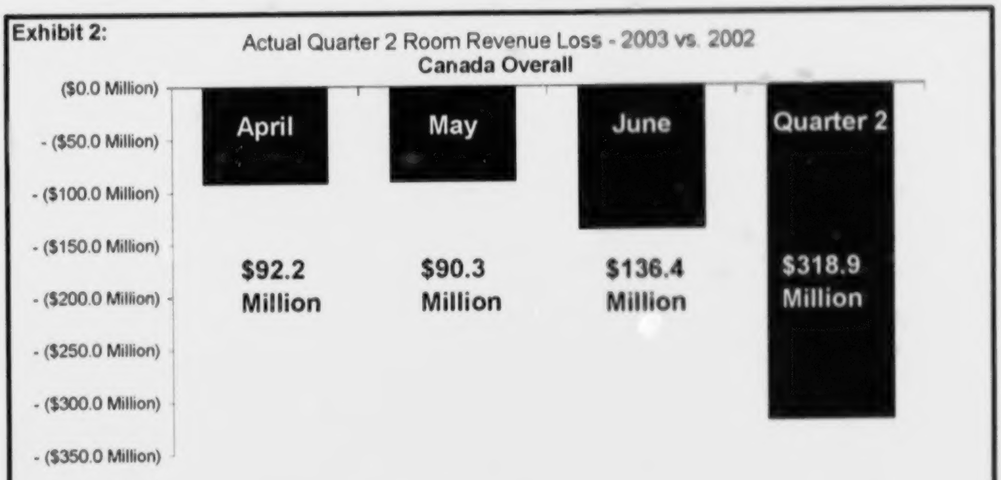


Source: PKF Consulting

Quarter 2 Rooms Revenue Down by $320 Million Across Canada

During the month of April, with the onset of SARS and the lingering effects of the Iraq War, Canada as a whole lost $92 Million in room revenue in comparison to last year. Faced with a travel advisory and a second wave of the SARS outbreak in May, the industry endured a further attrition of $90 Million in room revenue. Already in distress, accommodation providers suffered an additional $136 Million year-over-year decline in the month of June, bringing the total room revenue damage for the 2nd quarter to $320 Million. Accounting for the other on-site ancillary sources of revenue generated by the accommodation sector, Canada's combined accommodation revenue loss during the 2nd quarter is estimated at $491 Million.

Exhibit 2:



Source: PKF Consulting

Ontario Shoulders the Brunt of the Impacts – Loss of $185 Million in Rooms Revenue -- 58% of the National Loss to date

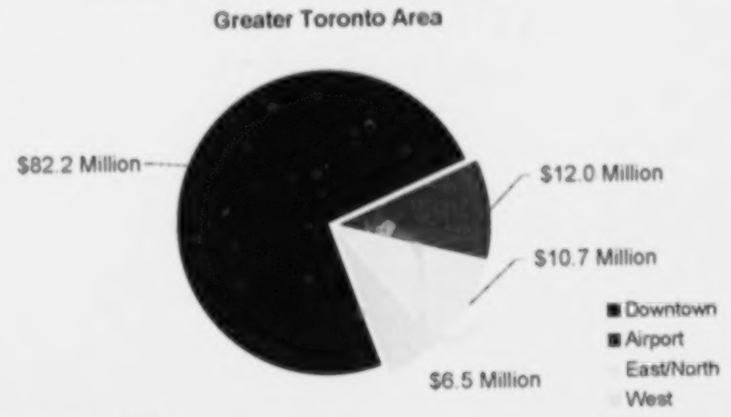
Demand for Ontario's hotels was up by almost 205,000 room nights or 4% in Quarter 1, 2003, before taking a sharp turn in the other direction and reporting a loss of over 1 Million room nights in Quarter 2. This represents a $185 Million decline in room revenue or 58% of the national loss. Ontario's hotel occupancy during Quarter 2 this year was 53% -- 12 points below last year's Q2 occupancy of 65%. Ontario's average daily rate also eroded by $12 in Quarter 2, from $121 last year, to $109 this year.

Greater Toronto Area Hardest Hit -- $111 Million in Rooms Revenue Lost in Quarter 2, $82 Million Amongst Downtown Toronto Hotels

Hotel demand in the Greater Toronto Area was up by approximately 85,000 room nights during the first quarter of 2003, or 4.8%, before the phone starting ringing in April with cancellations and stopped ringing for future bookings. The GTA's occupancy for Quarter 2 was 48%, down 20 points from last year, indicating a loss of over 1 million occupied room nights. From a room revenue perspective, the Greater Toronto hotel industry lost over $111 Million in Quarter 2.

Of the $111 Million in room revenue lost across the GTA, $82.2 Million was amongst Toronto's downtown hotels -- 74¢ of every dollar lost in the GTA. Downtown Toronto occupancy levels, which reached 72% last year, dropped by over 25 occupancy points to 47% for the same quarter this year. Toronto downtown hotels also lost rate integrity, with last year's ADR at $173 in Quarter 2, falling to $140 in Quarter 2 of this year.

Exhibit 3: 2nd Quarter 2003 Rooms Revenue Loss ($111.4 Million)



Soun Source: PKF Consulting

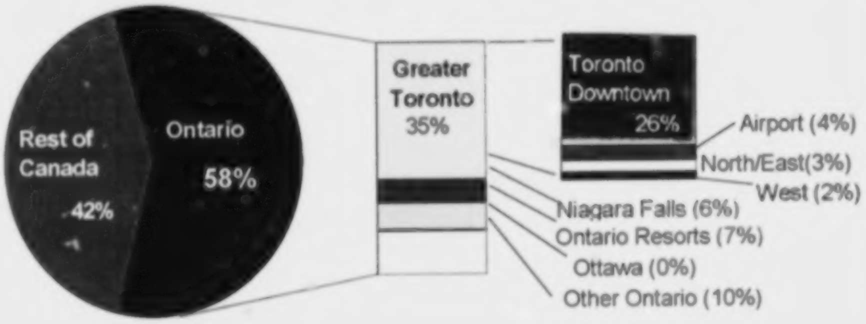
Impacts Have Spread to Other Ontario Markets

Although downtown Toronto hotels were the hardest hit in Quarter 2, the impact of SARS, and to a lesser extent the Iraq War, has had a rippling effect across Ontario's other major markets. In particular:

- Ontario Resorts lost over $21 Million in rooms revenue during Quarter 2 – 99,000 fewer occupied room nights than the same period last year;
- Niagara Falls lost 122,000 occupied room nights, which is close to $19 Million in rooms revenue;
- Toronto Airport hotels were off by $12 Million in rooms revenue, which is 83,000 less occupied room nights than last year;
- Toronto East/North properties were down by over 97,000 occupied room nights, representing $11 Million in lost rooms revenue;
- Toronto West properties sold 63,000 fewer room nights, thus suffering a $6 Million loss; and
- Windsor hotels reported room revenue losses of over $3 Million, which represents a shortfall of 24,000 in occupied room nights compared to last year's Quarter 2.
- Ottawa initially bore a loss of $3 Million in room revenue during the month of April, but rebounded in May posting a gain of $2.1 Million, with revenues only off by $152,000 in June, in comparison to last year.

Exhibit 4:

Share of National Room Revenue Loss ($183 Million)
Quarter 2 2003



Source PKF Consulting

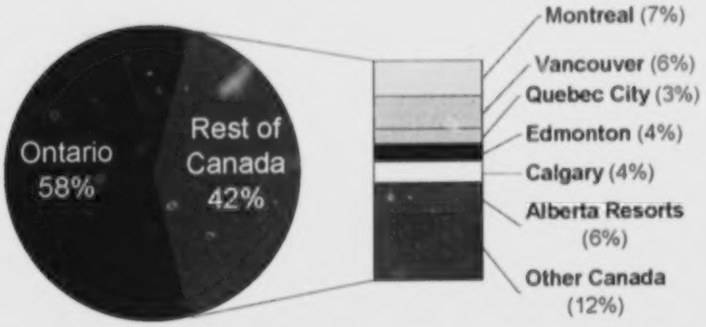
Impacts Also Felt Across Other Canadian Markets

Nationally, of the $320 Million in lost rooms revenue in Quarter 2, 42% has been in markets outside of Ontario. Specifically,

- Greater Montreal hotels reported a loss of 147,000 occupied room nights in Quarter 2, representing over $23 Million in rooms revenue;
- Greater Vancouver was down by 128,000 occupied room nights, which translates to a loss of $20 Million in rooms revenue;
- Quebec City was down by 52,000 occupied room nights, equating to a loss of over $9 Million in rooms revenue;
- Calgary hotels and Alberta Resorts reported a loss of approximately 85,000 and 98,000 occupied room nights per market respectively, equating to a room revenue loss of $12.7 Million for Calgary and $18.4 Million for Alberta Resorts.
- Although the Edmonton hotel market was off by 165,000 occupied room nights in Quarter 2 (a loss of $10.6 Million in rooms revenue), this decline was largely attributable to the conclusion of the 2001/02 phase of the Shell Athabasca project which resulted in a strong 2002 industry performance.

Exhibit 5:

Share of National Room Revenue Loss ($319 Million)
Quarter 2 2003



Source: PKF Consulting

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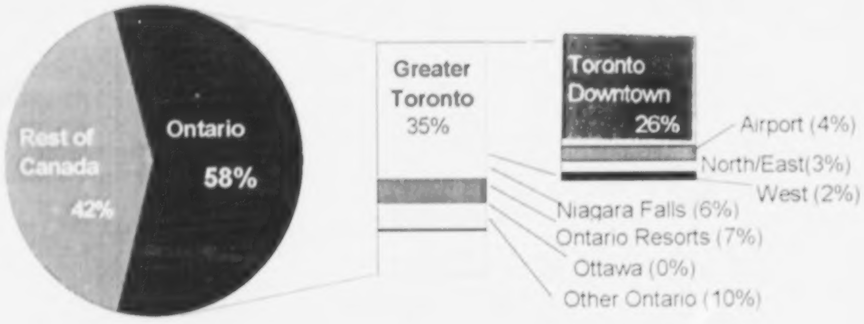

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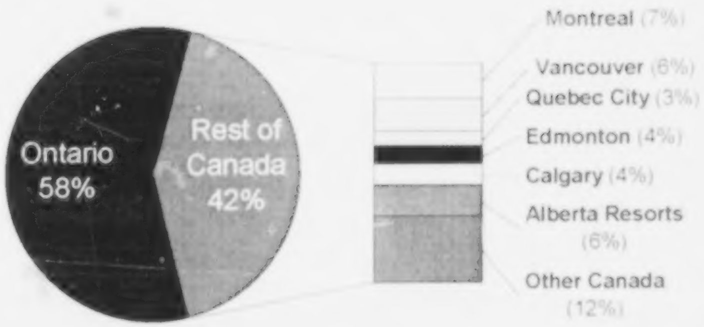


Source: PKF Consulting

9/11 vs. SARS

To date, SARS and the Iraq War have already had an impact on the Canadian accommodation industry equal to that of 9/11. The outbreak of SARS and the Iraq conflict however, has impacted the industry in a very different manner. First losses associated with 9/11 were concentrated in the month of September, which realized 51% of the total room nights lost due to this event. Each month thereafter the losses were cut in half and by December 2001, direct losses associated with 9/11 were negligible. The losses associated with the SARS Outbreak have in fact escalated with the approach of Canada's peak tourism season. The greatest impacts to date have been realized in the month of June as markets dependent on international tour group business and meeting/convention demand were faced with insurmountable losses. Unfortunately, the fact that the SARS Outbreak began to impact the industry as the peak season approached has magnified the absolute room night and dollar losses.

Secondly, the impact of SARS has been concentrated in Ontario and more specifically in the GTA market. The impacts of 9/11 were more evenly spread throughout the country with about 40% of the loss realized in Ontario and 22% in the Greater Toronto Area. Conversely, over half of the impacts resulting from SARS have been in the Province of Ontario and over one-third in the GTA.

Downward Trend Expected to Continue over the Summer Months

Despite the fact that the SARS virus is now under control, with no new cases reported since June 12, the prospects for the remainder of the summer in the many impacted markets are not strong. A significant level of summer business has cancelled and will be difficult to replace given the decline in fill rates. While the impacts for the remainder of the year may not be as great as those experienced to date, they will only add to what is already shaping up to be a devastating year in many Canadian hotel markets.

1.0 INTRODUCTION

1.1 ON THE HEELS OF 9/11… IRAQ WAR, SARS & BSE

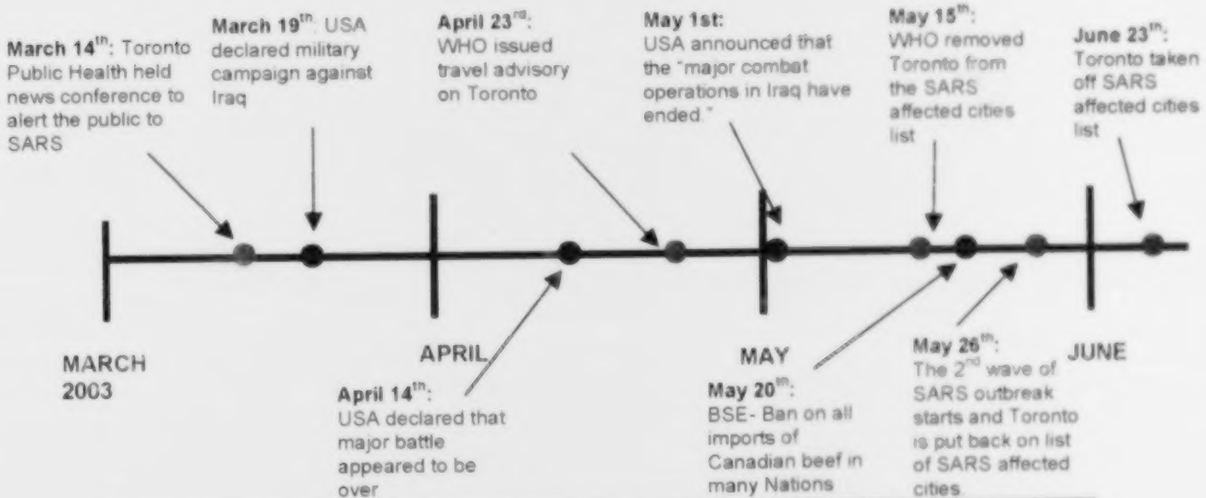
Canada's tourism industry has been severely impacted by both the Iraq War and the outbreak of Severe Acute Respiratory Syndrome (SARS) in the first six months of 2003. With rumblings surrounding the impending war in Iraq first stirring in Quarter 3 of 2002, the US led war against officially began on Wednesday March 19th when President George W. Bush declared a military campaign against Iraq. After several weeks of battling and while some fighting was still going on, the United States of America had declared on April 14th that the major battle appeared to be over. However, it was not until May 1st that President Bush announced that the "major combat operations in Iraq have ended."

Just when Canadians thought the country's economy would improve with the Iraq War concluded, the outbreak of Severe Acute Respiratory Syndrome (SARS), a respiratory illness with pneumonia-like symptoms once again threatened the Canadian tourism industry.

On March 14th, Toronto Public Health held its first news conference to alert the public to this fatal epidemic after the first SARS patient died on March 13th at Toronto's Scarborough Grace Hospital. This in turn set off a chain reaction within Toronto and the City was quickly issued a travel advisory on April 23rd from the World Health Organization (WHO) for non-essential travel. Due to intense lobbying efforts on behalf of the municipal, provincial and federal governments, the travel advisory on Toronto was lifted on April 30th and the City was removed from the list of SARS affected cities on May 15th after the disease was thought to be under control. However, Toronto hospitals efforts to curb any further transmission of the disease were unsuccessful and a second wave of SARS outbreak surfaced on May 22nd. Toronto was once again put back on the list of affected areas on May 26th and was subsequently taken off on June 23, 2003.

Further compounding an already devastating situation for Canada's hospitality industry, one lone case of BSE in Alberta (Mad Cow disease) was confirmed by the World Reference Laboratory on May 20, 2003, and within hours a ban on all imports of Canadian beef was announced.

These recent events have had an immediate and devastating impact on Canada's accommodation industry – impacts which have not only been felt in the Greater Toronto Area, but have crippled the tourism industry and economy across the country.


March 14th: Toronto Public Health held news conference to alert the public to SARS
March 19th: USA declared military campaign against Iraq
April 23rd: WHO issued travel advisory on Toronto
May 1st: USA announced that the "major combat operations in Iraq have ended."
May 15th: WHO removed Toronto from the SARS affected cities list
June 23rd: Toronto taken off SARS affected cities list
MARCH 2003
APRIL
MAY
JUNE
April 14th: USA declared that major battle appeared to be over
May 20th: BSE- Ban on all imports of Canadian beef in many Nations
May 26th: The 2nd wave of SARS outbreak starts and Toronto is put back on list of SARS affected cities

1.2 MEASURING THE IMPACTS – PKF ANALYSIS

In March 2003, PKF Consulting was retained by the Ontario Ministry of Tourism and Recreation and the Canadian Tourism Commission to analyze the impacts of these recent and ongoing events on Canada's accommodation industry. Similar to the analysis that was undertaken immediately following the tragic events of 9/11, PKF Consulting contacted our "Trends" participants as part of a series of 3 surveys, which will take place over the balance of 2003.

The first report dated May 30, 2003 provides an analysis of the first quarter, while the subject report provides an analysis of Quarter 2 – the quarter, which saw the devastating impacts of SARS.

1.2.1 Quarter 2 Survey of Accommodation Operators

During the month of June and early July 2003, PKF Consulting undertook a 2nd survey of accommodation operators in Canada's major markets through our PKF *Trends in the Hotel Industry National Market Report* participants.[1] This survey was a follow-up to the initial survey which was issued in April and May 2003.

As the second in a series of 3 surveys to be implemented over the course of the year, the Quarter 2 2003 survey asked the following questions:

PART 1 QUARTER 3 BOOKING PACE AND Q3 & Q4 CANCELLATIONS

Accommodation Booking Pace for Quarter 3

1. As of June 30, 2003, what were your confirmed bookings by month for July, August and September 2003, as compared to the year prior.

Room Cancellations as at June 30, 2003

2. As of June 30, 2003, has your property experienced any cancellations for Quarters 3 & 4 due to Geopolitical reasons, SARS, West Nile Virus, BSE or Other Reasons?

PART 2 ABOUT YOUR 2003 QUARTER 2 RESULTS

Reasons for Quarter 2 2003 Changes in Demand

3a) *Relative to your 2002 Quarter 2 Actuals*, did your property experience a growth in demand or loss in demand in your Actual 2003 Quarter 2 results?

What % of this growth or decline in demand, do you feel was attributable to:

- National/Provincial Economic Conditions
- Local/Regional Economic Conditions
- Increased Supply Competition
- Geopolitical Reasons (Iraq War, Residual 9/11, etc)
- Fears/Impacts Associated with SARS
- Fears/Impacts Associated with West Nile Virus
- Fears/Impacts Associated with BSE (Mad Cow Disease)
- Other Reasons, Please specify

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[1] *Trends in the Canadian Hotel Industry, National Market Report* is compiled and produced by PKF Consulting on a monthly basis. This Canadian proprietary database presents occupancy, average daily rate and revenue per available room statistics for 93 geographic regions/markets across Canada, based on the operating results of 168,000 rooms.

Changes to Quarter 2 2003 Market Segmentation

3b) What % of this change in demand, do you feel has been attributable to the following market segments:

- Business Travel
- Independent Leisure Travel
- Group Leisure Travel
- Meetings/Convention Travel
- Government Travel
- Other Segments

Changes to Quarter 2 2003 Origin Segmentation

3c) What % of this change in demand, do you feel has been attributable to the following origin segments:

- Domestic Travel
- US Travel
- Overseas Travel

Changes to Primary Mode of Transportation in 2003

4 What are the primary modes of transportation used by your hotel guests in arriving at their destination?

- Air
- Automobile
- Motorcoach
- Other

What changes, if any, have you noticed in your guests travel patterns in 2003, as compared to last year?

A total of 150 operators, representing 36,459 rooms responded to our Quarter 2 Survey. The survey responses represent 21% of PKF's *Trends* participants or 11% of Canada's overall accommodation inventory.

Exhibit 2: Major Markets Surveyed in Quarter 2

	Survey Response (Rooms)	Total Rooms Invent Inventory
Halifax Dartmouth	1,353	29%
Quebec City	1,308	12%
Greater Montreal	2,935	17%
Montreal Dtwn		
Montreal Airport		
Ottawa	1,889	19%
Greater Toronto	11,878	32%
Toronto Dtwn		
Toronto Airport		
GTA East/North		
GTA West		
Windsor	533	20%
Ontario Resorts	815	5%
Regina / Saskatoon	984	16%
Calgary	1,439	12%
Edmonton	1,586	14%
Alberta Resorts	2,023	19%
Greater Vancouver	3,200	13%
Vanc. Dtwn		
Vanc. Airport		
Vanc. Other		
Other Markets	6,516	
TOTAL	**36,459**	**11%**

Changes to Quarter 2 2003 Market Segmentation

3b) What % of this change in demand, do you feel has been attributable to the following market segments:
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Vanc. Dtwn		
Vanc. Airport		
Vanc. Other		
Other Markets	6,516	
TOTAL	**36,459**	**11%**

1.2.2 Development of National Impact Model

The reader is referred to our *Quarter 1 Report*, dated May 30, 2003 for an explanation of PKF's **National Impact Model,** which has been utilized to measure the actual performance of the accommodation industry during the January to December 2002 period, against actual and forecasted results by month for 2003. The Impact Model has been applied to each of the provincial, regional, city and sub-markets tracked in our Monthly *Trends* Report (53 markets).

1.3 NATIONAL ACCOMMODATION SUPPLY

Based on the accommodation inventories supplied to PKF by each of the provinces, together with our knowledge of supply additions in the Canadian market, Canada had an estimated supply of 328,472 rooms in Quarter 2 2002 (including only full-year properties of 30+ rooms in size). By Quarter 2 2003, this supply base increased by 1.1%, to an estimated annualized inventory of 331,994 rooms. Table 3 below provides the averaged room supply inventory by province, during Quarter 2 2002 and 2003.

Exhibit 3
Rooms Supply Inventory, by Province (Averaged)
QUARTER 2 2002 and 2003

Province	Q 2 2002	Q2 2003	% Change
Newfoundland	3,851	3,868	0.4%
PEI	2,715	2,715	0.0%
Nova Scotia	10,238	10,288	0.5%
New Brunswick	7,664	7,732	1.1%
Quebec	56,560	56,385	-0.3%
Ontario	105,362	107,171	1.7%
Manitoba	10,362	10,633	2.6%
Saskatchewan	11,033	11,033	0.0%
Alberta	50,348	51,113	1.7%
British Columbia	68,390	69,106	1.0%
Yukon	1,950	1,950	0.0%
NATIONAL	**328,472**	**331,994**	**1.1%**

Source: Provincial Tourism Departments and PKF Consulting

2.0 NATIONAL PERFORMANCE OF CANADA'S ACCOMMODATION INDUSTRY – Second Quarter 2003

2.1 NATIONAL RESULTS – 2nd Quarter 2003

Hotel Supply Inventory

- Canada's accommodation inventory averaged 331,994 rooms in Quarter 1 2003 – a 1.1% increase in supply with the addition of 3,522 rooms.
- As of July 1 2003, Canada's accommodation inventory totalled an estimated 332,116 rooms.

Demand and Rate

- During Quarter 2 2003, Canada's hotel market achieved a 58% occupancy at an average daily rate of $112. Occupancy levels were down 7 points compared to Quarter 2 of last year, with the average daily rate also down by approximately $5.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ	ADR	Occ	ADR	Demand	ADR
Atlantic Canada	61%	$104	65%	$101	-4.9%	3.4%
Quebec	63%	$137	69%	$139	-8.1%	-1.5%
Ontario	53%	$109	65%	$121	-16.6%	-9.7%
Manitoba	64%	$91	64%	$90	3.0%	1.3%
Saskatchewan	59%	$85	61%	$81	-3.0%	4.8%
Alberta (excl. Resorts)	63%	$96	72%	$96	-10.9%	0.0%
British Columbia	59%	$114	62%	$118	-3.7%	-3.5%
Total Canada	**58%**	**$112**	**65%**	**$117**	**-10.2%**	**-4.2%**

Source: PKF Consulting

- Demand for the Canadian accommodation market was **down approximately 1,985,000 room nights or 10.2% in Quarter 2- 2003**, as compared to the same period in 2002.
- On a month-by-month account, Canadian demand was down 11.1% in April, 9.1% in May and 10.4% in June.
- For the first half of 2003, National demand was down by 4.9% with the Quarter 2 effect somewhat cushioned by the demand increase in Quarter 1.

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Quebec	63%	$137	69%	$139	-8.1%	-1.5%
Ontario	53%	$109	65%	$121	-16.6%	-9.7%
Manitoba	64%	$91	64%	$90	3.0%	1.3%
Saskatchewan	59%	$85	61%	$81	-3.0%	4.8%
Alberta (excl. Resorts)	63%	$96	72%	$96	-10.9%	0.0%
British Columbia	59%	$114	62%	$118	-3.7%	-3.5%
Total Canada	**58%**	**$112**	**65%**	**$117**	**-10.2%**	**-4.2%**

Source: PKF Consulting

- Demand for the Canadian accommodation market was **down approximately 1,985,000 room nights or 10.2% in Quarter 2- 2003**, as compared to the same period in 2002.
- On a month-by-month account, Canadian demand was down 11.1% in April, 9.1% in May and 10.4% in June.
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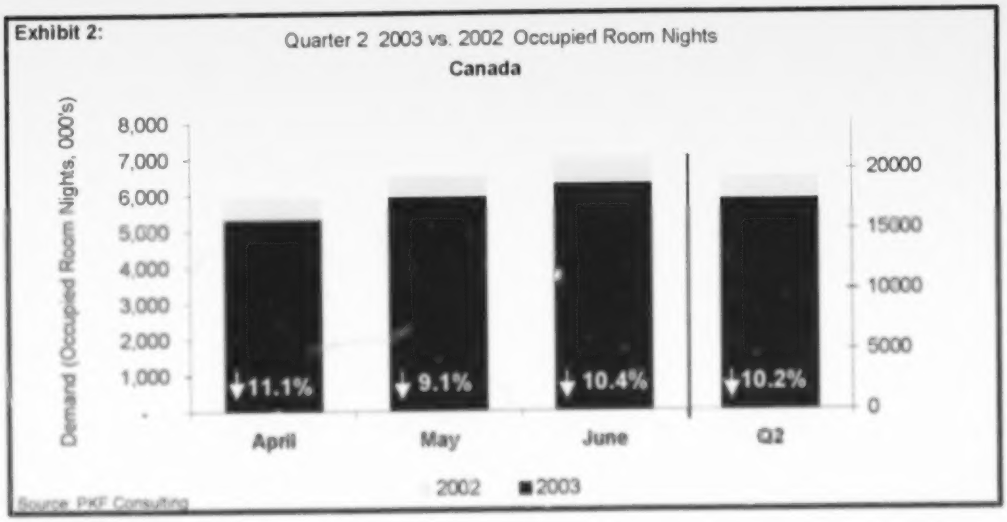

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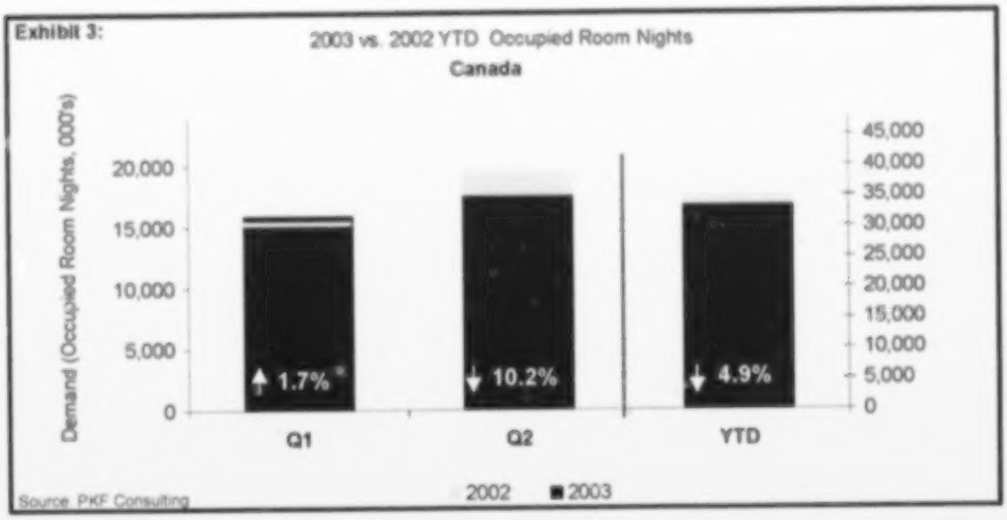

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Room Revenue

- Nationally, rooms revenue declined by 14.2% in April, 12.1% in May and 15.3% in June. Overall, Quarter 2 room revenue was down by $318.9 Million (14.0%) compared to the same period last year.

- In the 1st half of 2003, room revenue loss, while slightly cushioned by the first quarter gain, declined by 6.6% or $261.3 Million.

Exhibit 4:

Quarter 2 2003 vs. 2002 Rooms Revenue

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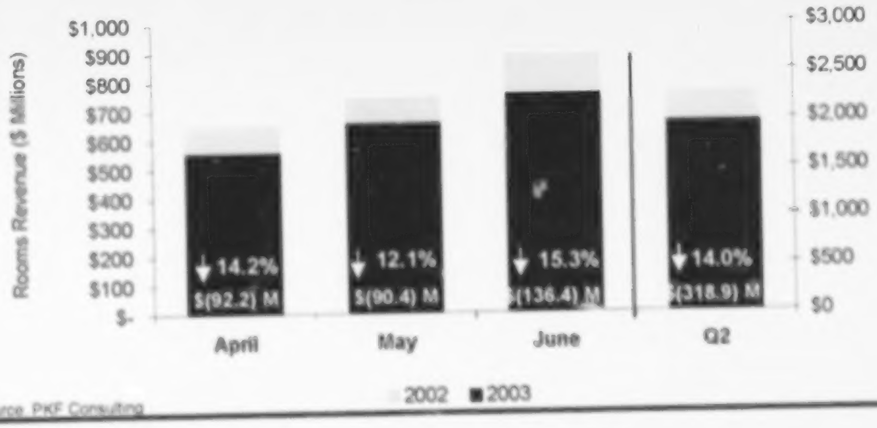

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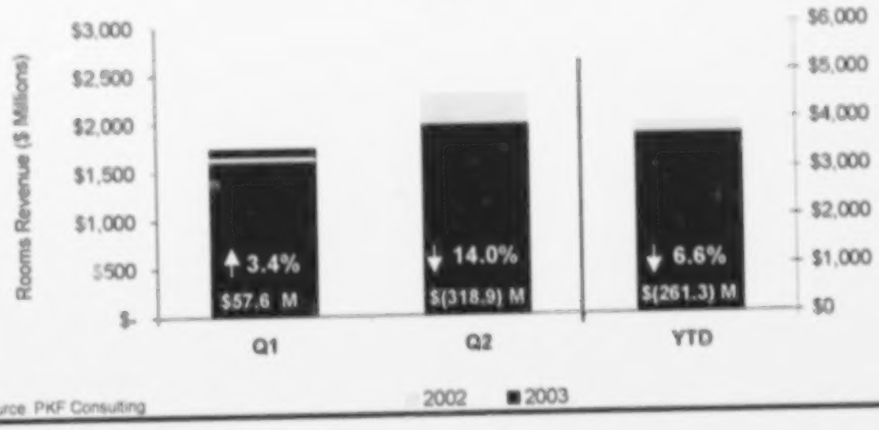

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- During the 2nd Quarter, with the onset of SARS and the residual effects of the Iraq War, Canada as a whole lost $319 Million in room revenue in comparison to last year. Of the total room revenue loss in the 2nd Quarter, $185 Million occurred in Ontario, $111 Million was in the Greater Toronto Area, and more narrowly, $82 Million was lost by Downtown Toronto hotels.

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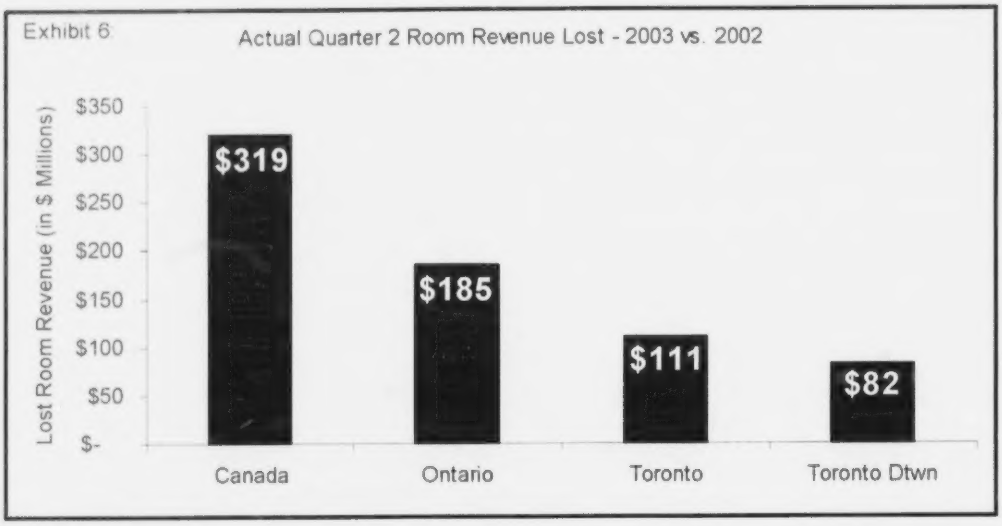

Actual Quarter 2 Room Revenue Lost - 2003 vs. 2002

Pre-Booked Business and Fill Rate

- As of March 31st, hoteliers in Canada's major markets had pre-booked 4.8 Million room nights for the upcoming months of April, May and June – 5% fewer room nights than were pre- booked over the same time frame last year.
- The fill rate for the industry fell by 25% in Quarter 2, with 3.2 Million room nights sold between April 1 and June 30, compared to 4.2 Million in the previous year.
- Overall 2nd Quarter demand in Canada's major markets fell by 14%, due primarily to the lack of fill post March 31st.

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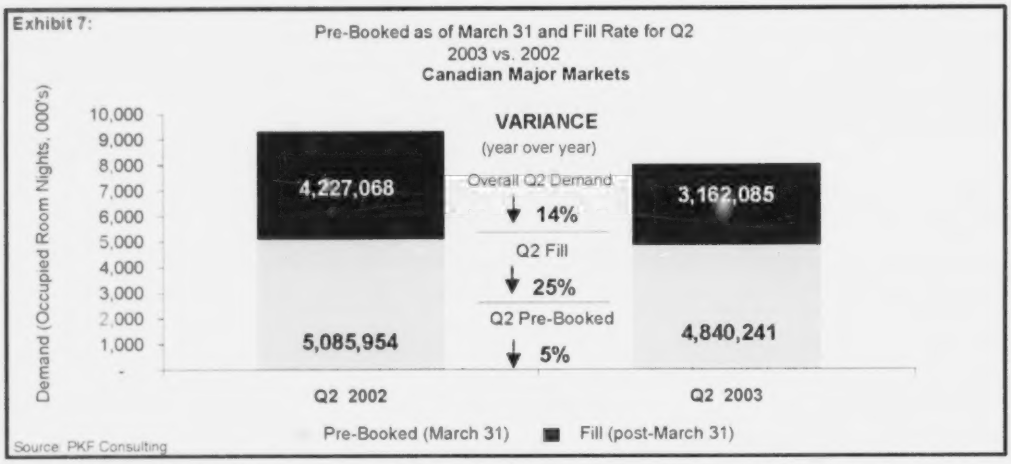

Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
Canadian Major Markets

Source: PKF Consulting

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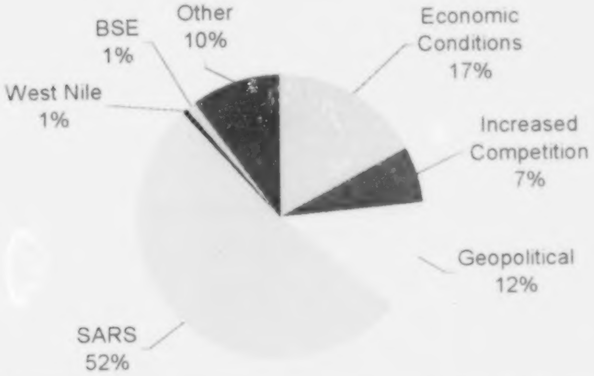
Market Factors Responsible for Demand Loss in Canada's Major Markets

- Hoteliers in Canada's 18 major and sub-major markets cited a variety of reasons for their 2nd Quarter demand erosion. SARS was the factor behind 52% of demand loss in Canadian major markets trailed by national, provincial and regional economic conditions (17%), geopolitical reasons (12%) and other reasons (10%). BSE (Mad Cow disease) and West Nile virus had very little effect on 2nd Quarter demand.

Exhibit 8:

Market Factors Responsible for Demand Loss in Canada's Major Markets (Quarter 2 2003)



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2.2 NATIONAL CANCELLATIONS and BOOKING PACE in QUARTERS 3 & 4

- Hotels in Canada's 18 major and sub-major markets logged nearly 450,000 cancellations for Quarters 3 and 4. The majority (76%) of total cancellations were due to concerns over SARS. Geopolitical reasons cost hoteliers 46,500 Quarter 3 and 4 reservations. BSE (Mad Cow) and West Nile virus were cited as very small factors for room cancellations.

Room Cancellations Attributed to SARS

- Canada's major accommodation markets reported an estimated **236,000 room nights cancelled in Quarter 3 2003** attributed to travel fears associated with Severe Acute Respiratory Syndrome, with a further **80,000 cancellations for Quarter 4 2003** – equating to **a potential $36.8 Million loss in Quarter 3** rooms revenue and **$10.1 Million in Quarter 4**.

- In terms of potential rooms revenue loss in Quarters 3 and 4, the top 5 impacted markets from SARS were: Greater Toronto Area, Alberta Resorts, Quebec City, Greater Vancouver Area and Greater Montreal Area.

Exhibit 9: Cancellations and Potential Room Revenue Loss Attributed to SARS by Major Market

	Quarter 3		Quarter 4	
Major Market	Cancellations	Revenue ($000)	Cancellations	Revenue ($000)
1 Greater Toronto Area	107,915	$14,407	41,253	$5,233
2 Alberta Resorts	27,981	$7,620	10,802	$1,601
3 Quebec City	30,773	$5,448	10,811	$1,427
4 Greater Vancouver Area	40,971	$5,780	2,392	$248
5 Greater Montreal Area	14,250	$1,993	365	$46
6 Edmonton	5,138	$479	6,545	$637
7 Halifax / Dartmouth	1,630	$207	7,001	$765
8 Ottawa	4,920	$603	-	$0
9 Windsor	1,587	$169	1,156	$118
10 Ontario Resorts	301	$58	-	$0
11 Calgary	229	$26	-	$0
12 Regina / Saskatoon	-	$0	-	$0
Total Major Markets	**235,695**	**$36,790**	**80,325**	**$10,075**

Source: PKF Consulting

Room Cancellations Attributed To Geopolitical Reasons

- Due to Geopolitical reasons, Canada's major accommodation markets have logged an estimated **26,000 room nights cancelled for Quarter 3 2003,** which equates to an estimated **$4.6 Million** in potential lost room revenue.

- By Quarter 4, this figure softens slightly with nearly **21,000 cancellations** – equalling **$2.6 Million** in potential losses to Canada's major accommodation markets.

- **In terms of revenue loss, the top 5 markets hit hardest by Geopolitical cancellations during Quarters 3 and 4 include: Alberta Resorts, Greater Toronto Area, Greater Vancouver Area, Quebec City and Halifax/Dartmouth.**

Exhibit 10: Cancellations and Potential Room Revenue Loss Attributed to Geopolitical Reasons by Major Market

	Quarter 3		Quarter 4	
Major Market	Cancellations	Revenue ($000)	Cancellations	Revenue ($000)
1 Alberta Resorts	7,438	$2,026	6,574	$974
2 Greater Toronto Area	7,128	$958	1,866	$237
3 Greater Vancouver Area	4,044	$571	4,343	$450
4 Quebec City	1,695	$300	2,683	$354
5 Halifax / Dartmouth	1,087	$138	4,667	$510
6 Greater Montreal Area	3,033	$424	-	$0
7 Windsor	1,058	$112	771	$79
8 Ottawa	184	$23	-	$0
9 Calgary	-	$0	-	$0
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Total Major Markets	**25,667**	**$4,552**	**20,904**	**$2,604**

Source: PKF Consulting

Room Cancellations Attributed To BSE, West Nile Virus And Other Reasons

- Cancellations due to BSE, West Nile Virus and other reasons have grown to over **40,000** for the 3rd Quarter in Canada's major markets. This equates to an estimated **$6.2 Million** in potential lost room revenue. West Nile and BSE account for only a small number of the cancellations with other reasons being the primary cause.

- By Quarter 4, this figure drops to nearly **17,000 cancellations** – equalling **$2.1 Million** in potential losses to Canada's major accommodation markets.

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Exhibit 11 Cancellations and Potential Room Revenue Loss Attributed to BSE, West Nile and Other Reasons by Major Market

	Quarter 3		Quarter 4	
Major Market	**Cancellations**	**Revenue ($000)**	**Cancellations**	**Revenue ($000)**
1 Greater Toronto Area	16,247	$2,184	5,225	$662
2 Alberta Resorts	4,479	$1,220	5,365	$795
3 Greater Vancouver Area	10,358	$1,461	4,680	$485
4 Greater Montreal Area	5,929	$830	539	$68
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6 Ottawa	729	$89	460	$57
7 Windsor	-	$0	-	$0
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Total Major Markets	**40,216**	**$6,222**	**16,854**	**$2,144**

Source: PKF Consulting

Booking Patterns

- As of June 30, 2002, the number of room nights booked in Canada's major accommodation markets for July 2002 was estimated at 1.7 Million, 1.4 Million for August and 1.2 Million for September 2002.
- As of June 30, 2003, the number of room nights on the books for the month of July 2003 was estimated at 1.4 Million down 17.9% from the year prior, August's bookings of 1.1 Million room nights were also down, by 21.7%, and September's booking pace of 1.0 Million was off by 13.5% in comparison to last year.

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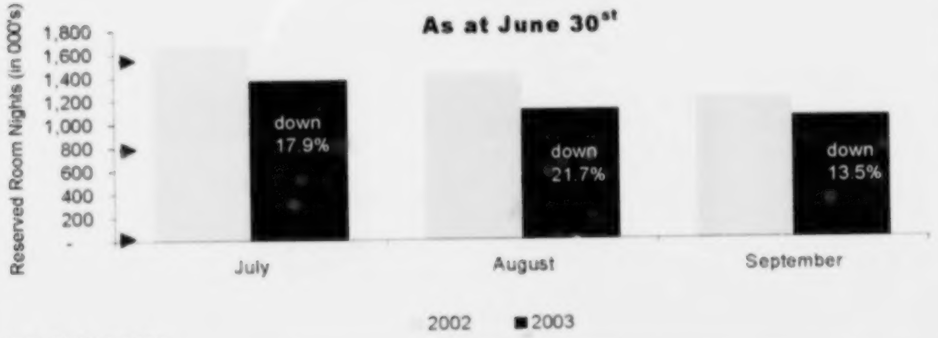
Exhibit 12:

Reserved Room Nights (Quarter 3 2003 vs. 2002)
Canadian Major Markets[1]



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2.0 NATIONAL PERFORMANCE OF CANADA'S ACCOMMODATION INDUSTRY – Second Quarter 2003

2.1 NATIONAL RESULTS – 2nd Quarter 2003

Hotel Supply Inventory

- Canada's accommodation inventory averaged 331,994 rooms in Quarter 1 2003 – a 1.1% increase in supply with the addition of 3,522 rooms.
- As of July 1 2003, Canada's accommodation inventory totalled an estimated 332,116 rooms.

Demand and Rate

- During Quarter 2 2003, Canada's hotel market achieved a 58% occupancy at an average daily rate of $112. Occupancy levels were down 7 points compared to Quarter 2 of last year, with the average daily rate also down by approximately $5.

Exhibit 1 Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	**Occ.**	**ADR**	**Occ.**	**ADR**	**Demand**	**ADR**
Atlantic Canada	61%	$104	65%	$101	-4.9%	3.4%
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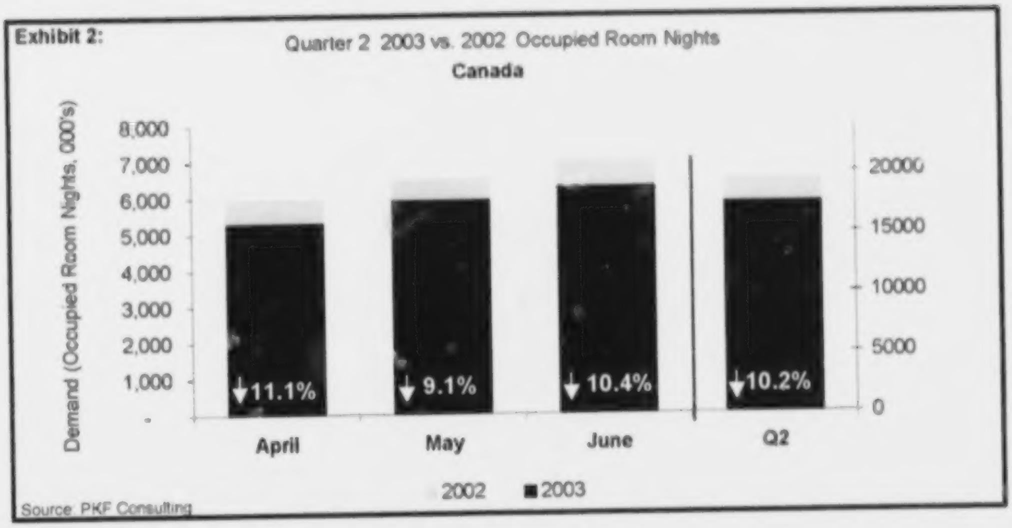
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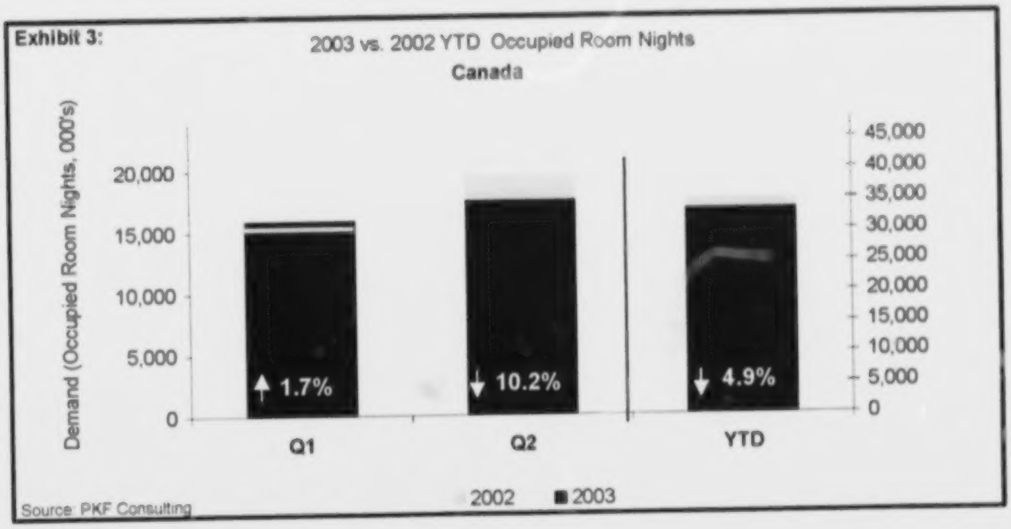
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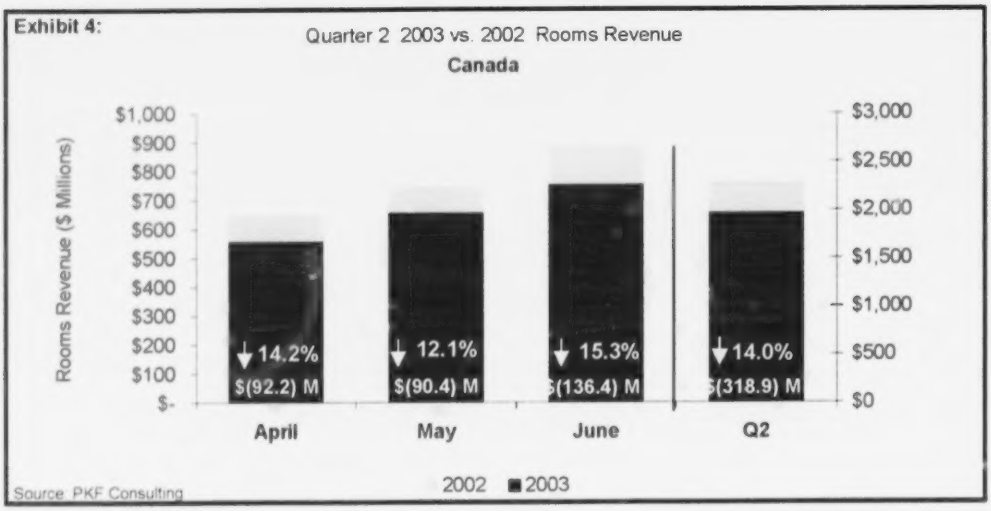

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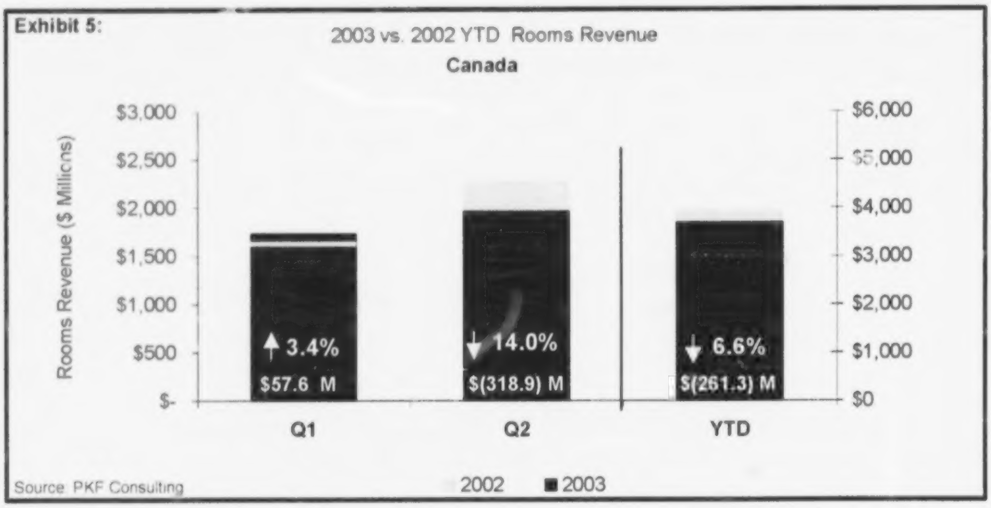

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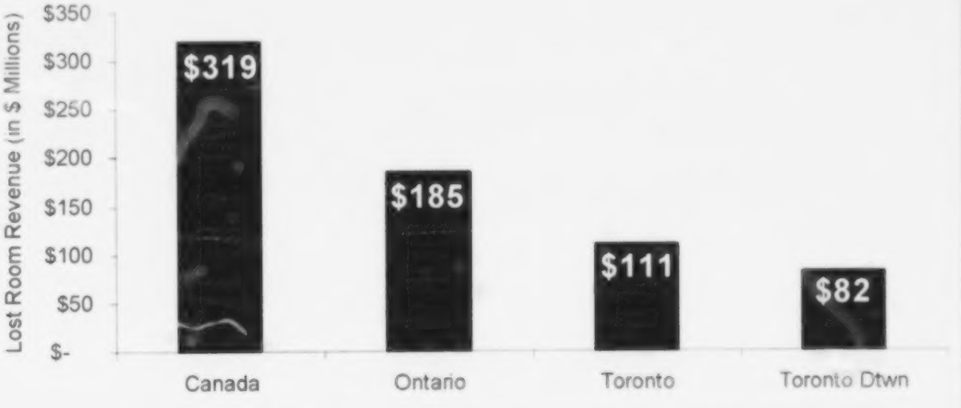

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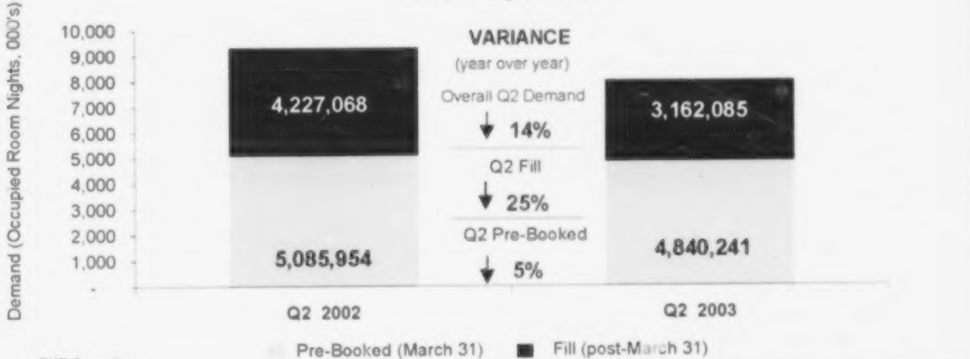

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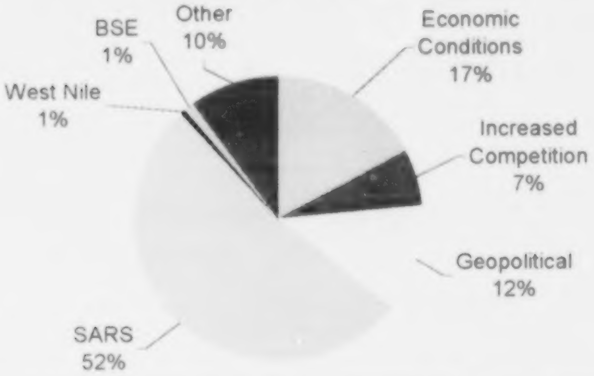

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	Quarter 3		Quarter 4	
Major Market	Cancellations	Revenue ($000)	Cancellations	Revenue ($000)
1 Greater Toronto Area	107,915	$14,407	41,253	$5,233
2 Alberta Resorts	27,981	$7,620	10,802	$1,601
3 Quebec City	30,773	$5,448	10,811	$1,427
4 Greater Vancouver Area	40,971	$5,780	2,392	$248
5 Greater Montreal Area	14,250	$1,993	365	$46
6 Edmonton	5,138	$479	6,545	$637
7 Halifax / Dartmouth	1,630	$207	7,001	$765
8 Ottawa	4,920	$603	-	$0
9 Windsor	1,587	$169	1,156	$118
10 Ontario Resorts	301	$58	-	$0
11 Calgary	229	$26	-	$0
12 Regina / Saskatoon	-	$0	-	$0
Total Major Markets	**235,695**	**$36,790**	**80,325**	**$10,075**

Source: PKF Consulting

Room Cancellations Attributed To Geopolitical Reasons

- Due to Geopolitical reasons, Canada's major accommodation markets have logged an estimated **26,000 room nights cancelled for Quarter 3 2003**, which equates to an estimated **$4.6 Million** in potential lost room revenue.

- By Quarter 4, this figure softens slightly with nearly **21,000 cancellations** – equalling **$2.6 Million** in potential losses to Canada's major accommodation markets.

2.3 NATIONAL CANCELLATIONS and BOOKING PACE in QUARTERS 3 & 4

- Hotels in Canada's 18 major and sub-major markets logged nearly 450,000 cancellations for Quarters 3 and 4. The majority (76%) of total cancellations were due to concerns over SARS. Geopolitical reasons cost hoteliers 46,500 Quarter 3 and 4 reservations. BSE (Mad Cow) and West Nile virus were cited as very small factors for room cancellations.

Room Cancellations Attributed to SARS

- Canada's major accommodation markets reported an estimated **236,000 room nights cancelled in Quarter 3 2003** attributed to travel fears associated with Severe Acute Respiratory Syndrome, with a further **80,000 cancellations for Quarter 4 2003** – equating to **a potential $36.8 Million loss in Quarter 3** rooms revenue and **$10.1 Million in Quarter 4**.
- In terms of potential rooms revenue loss in Quarters 3 and 4, the top 5 impacted markets from SARS were: Greater Toronto Area, Alberta Resorts, Quebec City, Greater Vancouver Area and Greater Montreal Area.

Exhibit 9 Cancellations and Potential Room Revenue Loss Attributed to SARS by Major Market

	Quarter 3		Quarter 4	
Major Market	**Cancellations**	**Revenue ($000)**	**Cancellations**	**Revenue ($000)**
1 Greater Toronto Area	107,915	$14,407	41,253	$5,233
2 Alberta Resorts	27,981	$7,620	10,802	$1,601
3 Quebec City	30,773	$5,448	10,811	$1,427
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Total Major Markets	**235,695**	**$36,790**	**80,325**	**$10,075**

Source: PKF Consulting

Room Cancellations Attributed To Geopolitical Reasons

- Due to Geopolitical reasons, Canada's major accommodation markets have logged an estimated **26,000 room nights cancelled for Quarter 3 2003**, which equates to an estimated **$4.6 Million** in potential lost room revenue.
- By Quarter 4, this figure softens slightly with nearly **21,000 cancellations** – equalling **$2.6 Million** in potential losses to Canada's major accommodation markets.

- **In terms of revenue loss, the top 5 markets hit hardest by Geopolitical cancellations during Quarters 3 and 4 include: Alberta Resorts, Greater Toronto Area, Greater Vancouver Area, Quebec City and Halifax/Dartmouth.**

Exhibit 10: Cancellations and Potential Room Revenue Loss Attributed to Geopolitical Reasons by Major Market

	Quarter 3		Quarter 4	
Major Market	Cancellations	Revenue ($000)	Cancellations	Revenue ($000)
1 Alberta Resorts	7,438	$2,026	6,574	$974
2 Greater Toronto Area	7,128	$958	1,866	$237
3 Greater Vancouver Area	4,044	$571	4,343	$450
4 Quebec City	1,695	$300	2,683	$354
5 Halifax / Dartmouth	1,087	$138	4,667	$510
6 Greater Montreal Area	3,033	$424	-	$0
7 Windsor	1,058	$112	771	$79
8 Ottawa	184	$23	-	$0
9 Calgary	-	$0	-	$0
10 Regina / Saskatoon	-	$0	-	$0
11 Ontario Resorts	-	$0	-	$0
12 Edmonton	-	$0	-	$0
Total Major Markets	**25,667**	**$4,552**	**20,904**	**$2,604**

Source: PKF Consulting

Room Cancellations Attributed To BSE, West Nile Virus And Other Reasons

- Cancellations due to BSE, West Nile Virus and other reasons have grown to over **40,000** for the 3rd Quarter in Canada's major markets. This equates to an estimated **$6.2 Million** in potential lost room revenue. West Nile and BSE account for only a small number of the cancellations with other reasons being the primary cause.

- By Quarter 4, this figure drops to nearly **17,000 cancellations** – equalling **$2.1 Million** in potential losses to Canada's major accommodation markets.

The major markets with the largest potential rooms revenue loss attributable to BSE, West Nile virus and other reasons are: Greater Toronto Area, Alberta Resorts, Greater Vancouver Area, Greater Montreal Area and Quebec City.

Exhibit 11: Cancellations and Potential Room Revenue Loss Attributed to BSE, West Nile and Other Reasons by Major Market

	Quarter 3		Quarter 4	
Major Market	Cancellations	Revenue ($000)	Cancellations	Revenue ($000)
1 Greater Toronto Area	16,247	$2,184	5,225	$662
2 Alberta Resorts	4,479	$1,220	5,365	$795
3 Greater Vancouver Area	10,358	$1,461	4,680	$485
4 Greater Montreal Area	5,929	$830	539	$68
5 Quebec City	2,474	$438	585	$77
6 Ottawa	729	$89	460	$57
7 Windsor	-	$0	-	$0
8 Calgary	-	$0	-	$0
9 Regina / Saskatoon	-	$0	-	$0
10 Ontario Resorts	-	$0	-	$0
11 Edmonton	-	$0	-	$0
12 Halifax / Dartmouth	-	$0	-	$0
Total Major Markets	**40,216**	**$6,222**	**16,854**	**$2,144**

Source: PKF Consulting

Booking Patterns

- As of June 30, 2002, the number of room nights booked in Canada's major accommodation markets for July 2002 was estimated at 1.7 Million, 1.4 Million for August and 1.2 Million for September 2002.
- As of June 30, 2003, the number of room nights on the books for the month of July 2003 was estimated at 1.4 Million down 17.9% from the year prior, August's bookings of 1.1 Million room nights were also down, by 21.7%, and September's booking pace of 1.0 Million was off by 13.5% in comparison to last year.

- **In terms of revenue loss, the top 5 markets hit hardest by Geopolitical cancellations during Quarters 3 and 4 include: Alberta Resorts, Greater Toronto Area, Greater Vancouver Area, Quebec City and Halifax/Dartmouth.**

Exhibit 10 Cancellations and Potential Room Revenue Loss Attributed to Geopolitical Reasons by Major Market

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Total Major Markets	**25,667**	**$4,552**	**20,904**	**$2,604**

Source: PKF Consulting

Room Cancellations Attributed To BSE, West Nile Virus And Other Reasons

- Cancellations due to BSE, West Nile Virus and other reasons have grown to over **40,000** for the 3rd Quarter in Canada's major markets. This equates to an estimated **$6.2 Million** in potential lost room revenue. West Nile and BSE account for only a small number of the cancellations with other reasons being the primary cause.

- By Quarter 4, this figure drops to nearly **17,000 cancellations** – equalling **$2.1 Million** in potential losses to Canada's major accommodation markets.

The major markets with the largest potential rooms revenue loss attributable to BSE, West Nile virus and other reasons are: Greater Toronto Area, Alberta Resorts, Greater Vancouver Area, Greater Montreal Area and Quebec City.

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11 Edmonton	-	$0	-	$0
12 Halifax / Dartmouth	-	$0	-	$0
Total Major Markets	**40,216**	**$6,222**	**16,854**	**$2,144**

Source: PKF Consulting

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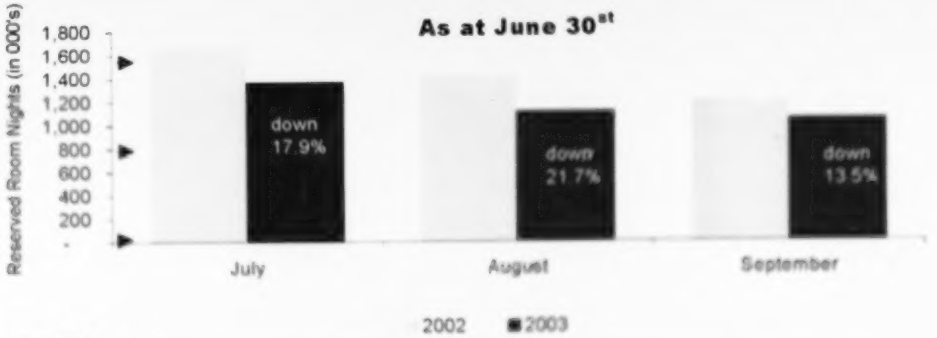
- As of June 30, 2002, the number of room nights booked in Canada's major accommodation markets for July 2002 was estimated at 1.7 Million, 1.4 Million for August and 1.2 Million for September 2002.

- As of June 30, 2003, the number of room nights on the books for the month of July 2003 was estimated at 1.4 Million down 17.9% from the year prior. August's bookings of 1.1 Million room nights were also down, by 21.7%, and September's booking pace of 1.0 Million was off by 13.5% in comparison to last year.

Exhibit 12:

Reserved Room Nights (Quarter 3 2003 vs. 2002)
Canadian Major Markets[1]



Source: PKF Consulting

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[1] Includes 18 Major and sub-Major Markets consisting of: GTA, Greater Montreal, Greater Vancouver, Halifax, Quebec City, Ottawa, Windsor, Ontario Resorts, Regina/Saskatoon, Calgary, Edmonton and Alberta Resorts

3.0 ATLANTIC CANADA PROVINCIAL/MARKET PERFORMANCE

3.1 ATLANTIC CANADA

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Atlantic Canada's accommodation market was 24,563 rooms in Quarter 2 2003 – a 110 room (0.4%) increase from Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003 Atlantic Canada's hotel market achieved a 61% occupancy at an average daily rate of $104. Occupancy levels were 4 percentage points lower than Quarter 2 of last year, with the average daily rate improving by $3.
- Demand for the Atlantic Canada accommodation market was **down by approximately 69,000 room nights or 4.8% in Quarter 2 2003**, as compared to the second quarter of 2002.

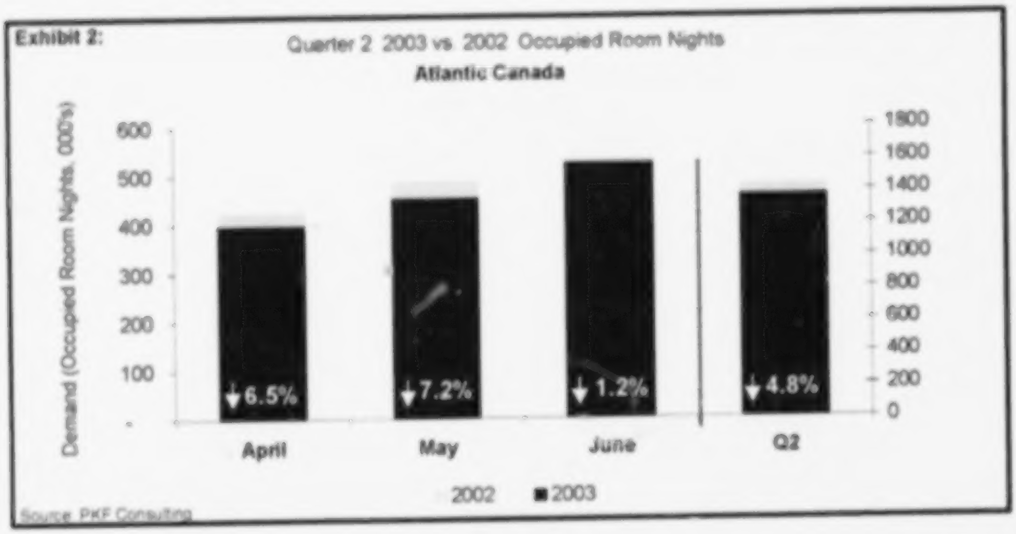
Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Newfoundland	65%	$106	67%	$103	-2%	2%
Prince Edward Island	42%	$105	45%	$98	-7%	8%
Nova Scotia	69%	$112	72%	$107	-4%	4%
New Brunswick	57%	$92	61%	$91	-6%	2%
Total Atlantic Canada	**61%**	**$104**	**65%**	**$101**	**-5%**	**3%**

Source: PKF Consulting

- While demand was down by 6.5% and 7.2% respectively in April and May, it was down only 1.2% in June.

Exhibit 2:



Source: PKF Consulting

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Nova Scotia	68%	$112	72%	$107	-4%	4%
New Brunswick	57%	$92	61%	$91	-6%	2%
Total Atlantic Canada	**61%**	**$104**	**65%**	**$101**	**-6%**	**3%**

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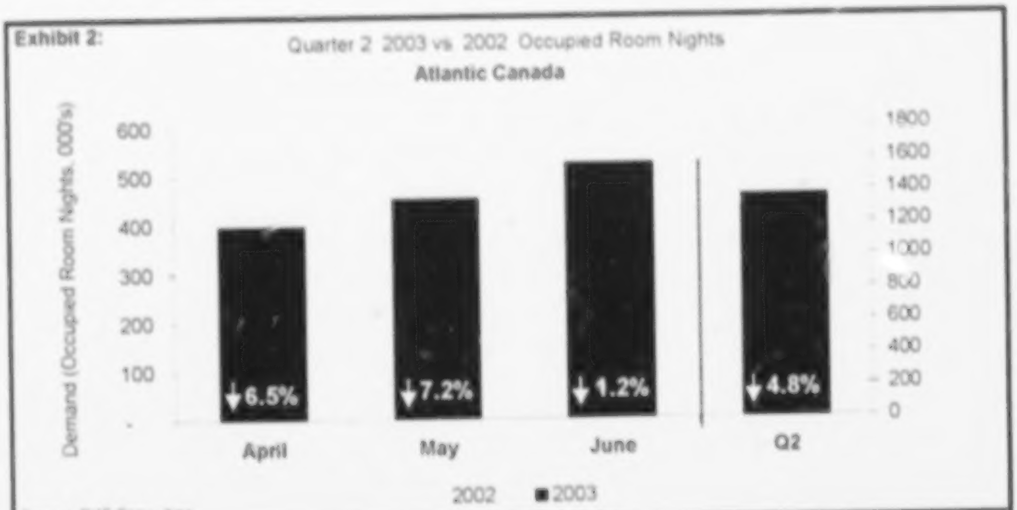


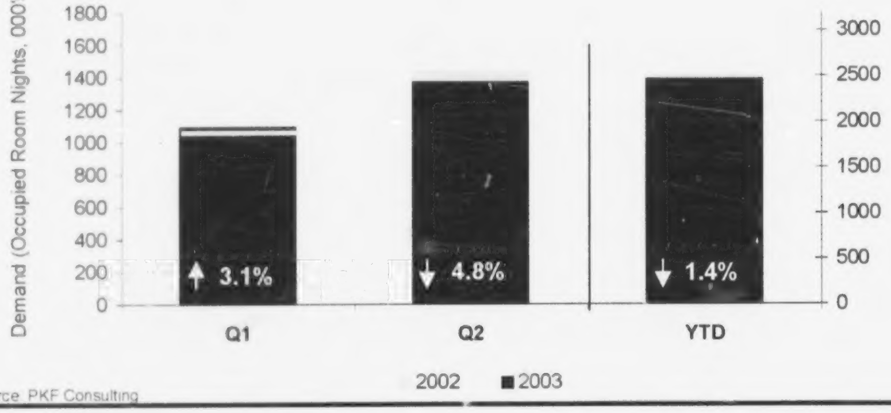
Source: PKF Consulting

- While demand was up by 3.1% at the end of Quarter 1, Quarter 2 results showed a decline of 4.8%, bringing **year-to-date results for 2003 1.4% below results achieved in the first half of 2002.**

Exhibit 3:

2003 vs. 2002 YTD Occupied Room Nights

Atlantic Canada



Source: PKF Consulting

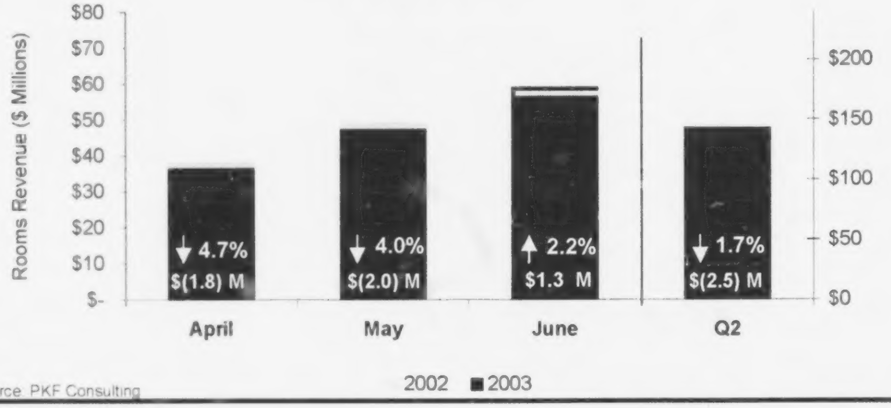
Room Revenue

- Atlantic Canada's room revenue declined by 4.7% in April and 4.0% in May, before turning the corner in June, which posted a 2.2% increase.
- Overall, Quarter 2 room revenue was down by $2.5 Million (1.7%) compared to the same period last year. However, given the region's good start to the year, year-to-date room revenue is actually ahead by 1.8% -- $4.3 Million above last year's results.

Exhibit 4:

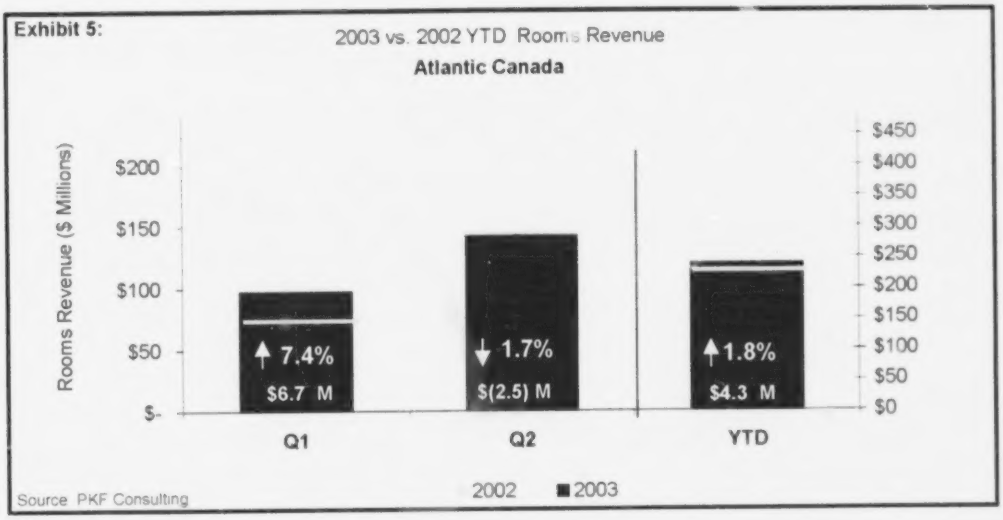
Quarter 2 2003 vs. 2002 Rooms Revenue

Atlantic Canada



Source: PKF Consulting

Exhibit 5:



Source PKF Consulting

3.2 PROVINCE OF NEWFOUNDLAND

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Newfoundland's accommodation market was 3,868 rooms in Quarter 2 2003 – an increase of 17 rooms over Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003, Newfoundland's hotel market achieved a 65% occupancy at an average daily rate of $106. Occupancy levels were 2 percentage point lower than Quarter 2 of last year, and the average daily rate improved by approximately $3.

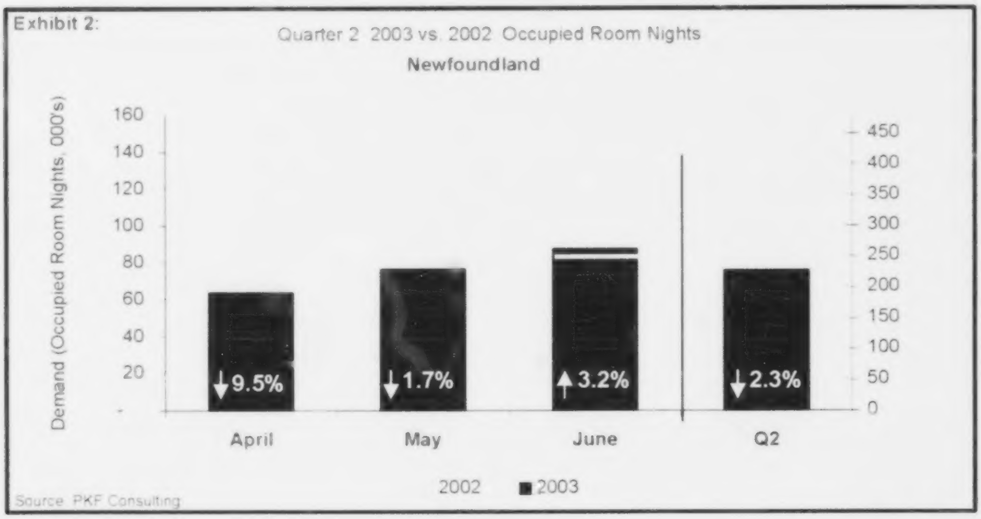
Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
St John's	72%	$117	75%	$115	-2%	2%
Total Newfoundland	**65%**	**$106**	**67%**	**$103**	**-2%**	**2%**

Source: PKF Consulting

- Demand for the Newfoundland accommodation market was **down by approximately 5,400 room nights or 2.3% in Quarter 2 2003**, as compared to the same quarter in 2002.
- While demand was down by 9.5% in April, May was only down by 1.7% and June posted an increase of 3.2%.

Exhibit 2:



Source: PKF Consulting

- Quarter 1 demand levels were down by 1.4%, followed by a 2.3% decline in Quarter 2, bringing year-to-date results for 2003 1.9% below results achieved in the first half of 2002.

3.2 PROVINCE OF NEWFOUNDLAND

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Newfoundland's accommodation market was 3,868 rooms in Quarter 2 2003 – an increase of 17 rooms over Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003, Newfoundland's hotel market achieved a 65% occupancy at an average daily rate of $106. Occupancy levels were 2 percentage point lower than Quarter 2 of last year, and the average daily rate improved by approximately $3.

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Market	Occ.	ADR	Occ	ADR	Demand	ADR
St John's	72%	$117	75%	$115	-2%	2%
Total Newfoundland	65%	$106	67%	$103	-2%	2%

Source: PKF Consulting

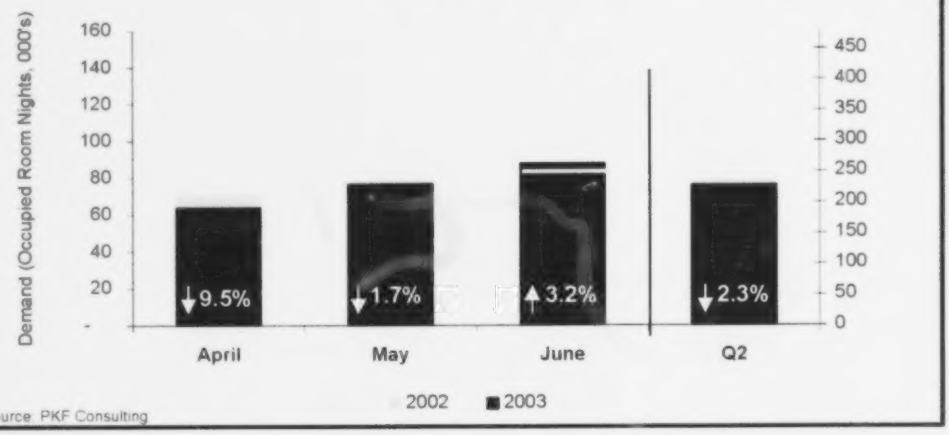
- Demand for the Newfoundland accommodation market was **down by approximately 5,400 room nights or 2.3% in Quarter 2 2003**, as compared to the same quarter in 2002.

- While demand was down by 9.5% in April, May was only down by 1.7% and June posted an increase of 3.2%.

Exhibit 2:

Quarter 2 2003 vs. 2002 Occupied Room Nights

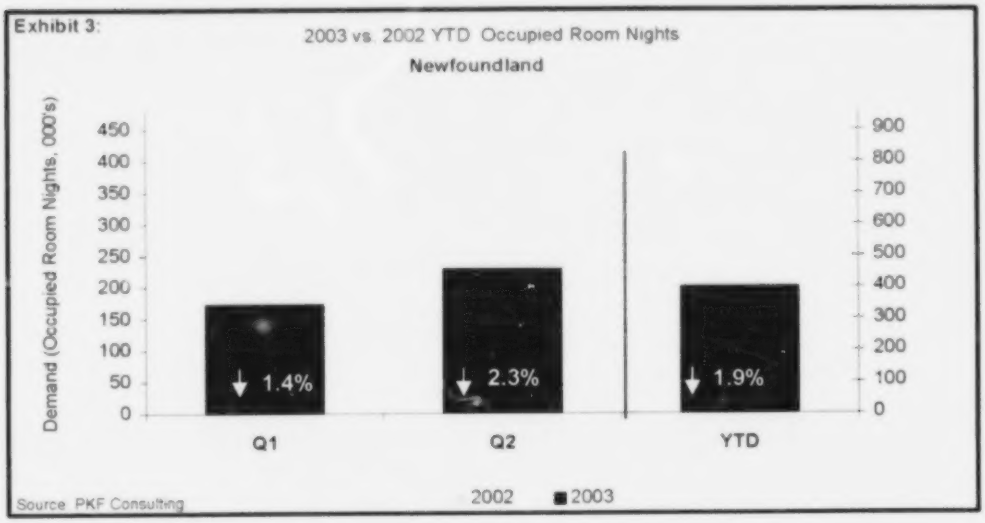
Newfoundland



Source: PKF Consulting

- Quarter 1 demand levels were down by 1.4%, followed by a 2.3% decline in Quarter 2, bringing year-to-date results for 2003 1.9% below results achieved in the first half of 2002.

Exhibit 3:

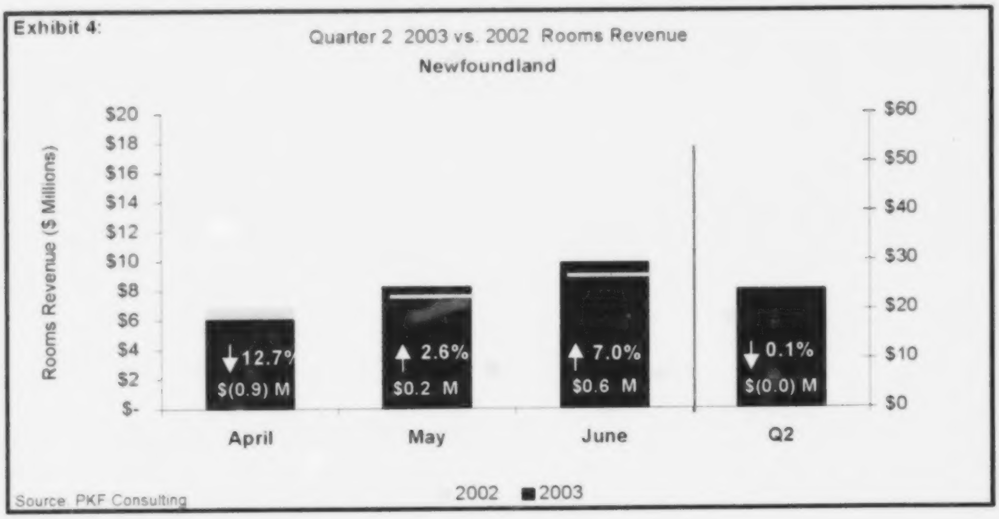


Source: PKF Consulting

Room Revenue

- Newfoundland's room revenue declined by 12.7% in April, but achieved a 2.6% increase in May and a strong 7.0% increase in June, in comparison to last year.
- Despite losses in April, overall Quarter 2 room revenue was on par with the same period last year. Although Newfoundland's accommodation revenues were off significantly in January and April, year-to-date room revenue is actually slightly ahead by 0.5% – $0.2 Million above last year's results.

Exhibit 4:

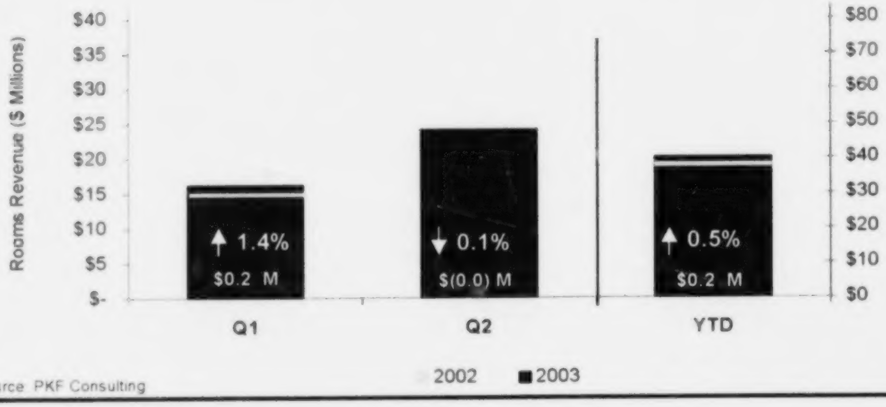


Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Newfoundland



Source: PKF Consulting

3.3 PROVINCE OF PRINCE EDWARD ISLAND

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Prince Edward Island's accommodation market was 2,715 rooms in Quarter 2 2003 – with no change from Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003, Prince Edward Island's hotel market achieved a 42% occupancy at an average daily rate of $105. Occupancy levels were 3 percentage point lower than Quarter 2 of last year, and the average daily rate was $7 above Q2, 2002.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

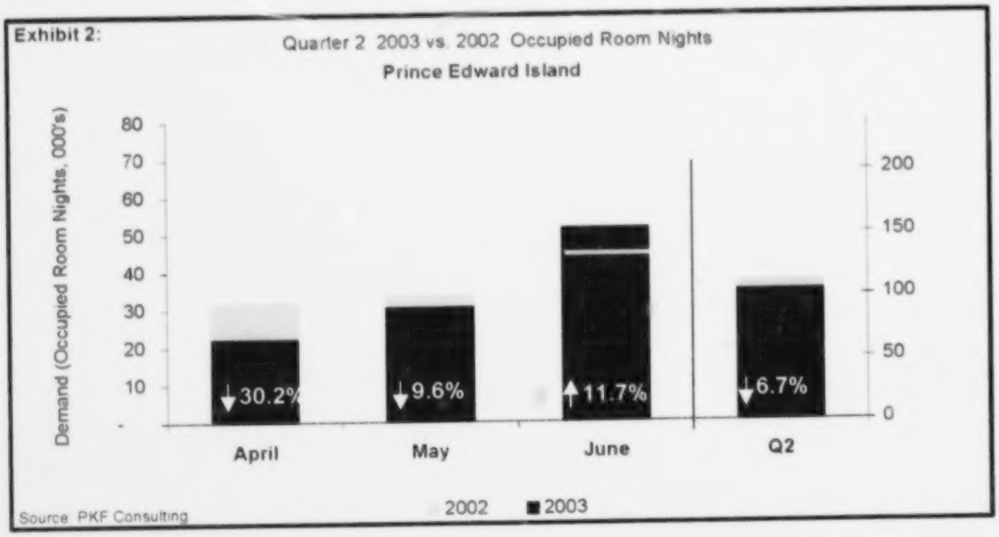
	Quarter 2 - 2003		Quarter 12- 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
TOTAL P E I	42%	$105	45%	$98	-7%	8%

Source: PKF Consulting

- Demand for the Prince Edward Island accommodation market was **down by approximately 7,435 room nights or 6.7% in Quarter 2 2003**, as compared to Quarter 2, 2002. April results alone indicate a loss of over 9,600 room nights, 30.2% below last year.

- While demand was down substantially in April (30.2%) and May was off by 9.6%, the trend reversed in June, which was up by 11.7%.

Exhibit 2:



Source: PKF Consulting

- While demand was up by 4.3% at the end of Quarter 1, Quarter 2 results showed a decline of 6.7%, bringing 2003 year-to-date results 2.2% below results achieved in the first half of 2002 – representing a **year-to-date loss of 4,200 room nights.**

3.3 PROVINCE OF PRINCE EDWARD ISLAND

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Prince Edward Island's accommodation market was 2,715 rooms in Quarter 2 2003 – with no change from Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003, Prince Edward Island's hotel market achieved a 42% occupancy at an average daily rate of $105. Occupancy levels were 3 percentage point lower than Quarter 2 of last year, and the average daily rate was $7 above Q2, 2002.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 12- 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
TOTAL P E I	42%	$105	45%	$98	-7%	8%

Source: PKF Consulting

- Demand for the Prince Edward Island accommodation market was **down by approximately 7,435 room nights or 6.7% in Quarter 2 2003**, as compared to Quarter 2, 2002. April results alone indicate a loss of over 9,600 room nights, 30.2% below last year.

- While demand was down substantially in April (30.2%) and May was off by 9.6%, the trend reversed in June, which was up by 11.7%.

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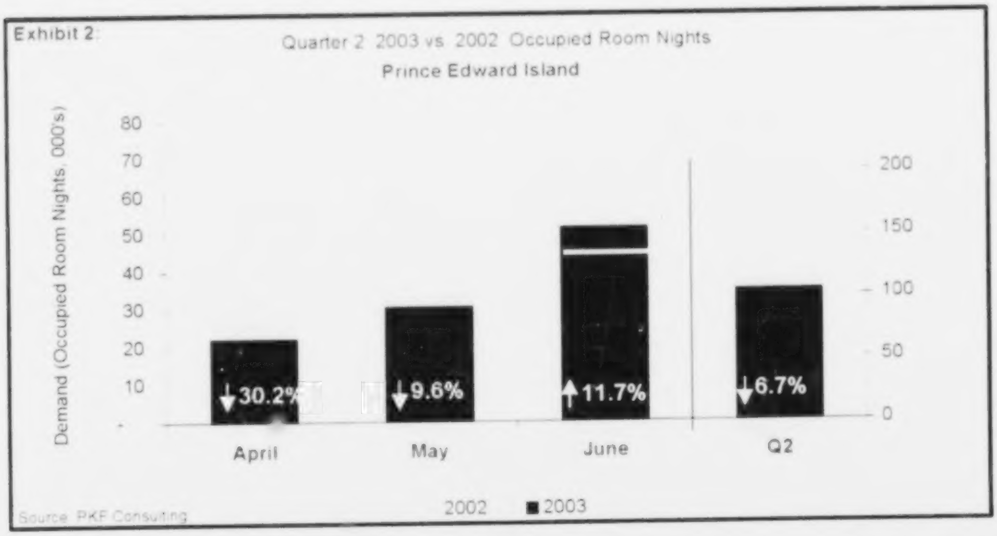

Quarter 2 2003 vs. 2002 Occupied Room Nights

Prince Edward Island

Source: PKF Consulting

- While demand was up by 4.3% at the end of Quarter 1, Quarter 2 results showed a decline of 6.7%, bringing 2003 year-to-date results 2.2% below results achieved in the first half of 2002 – representing a **year-to-date loss of 4,200 room nights.**

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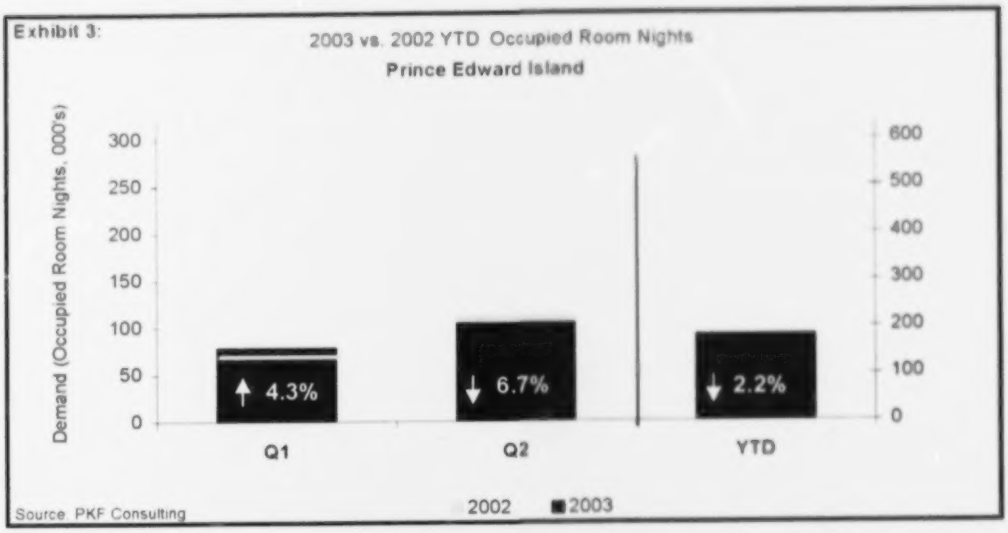


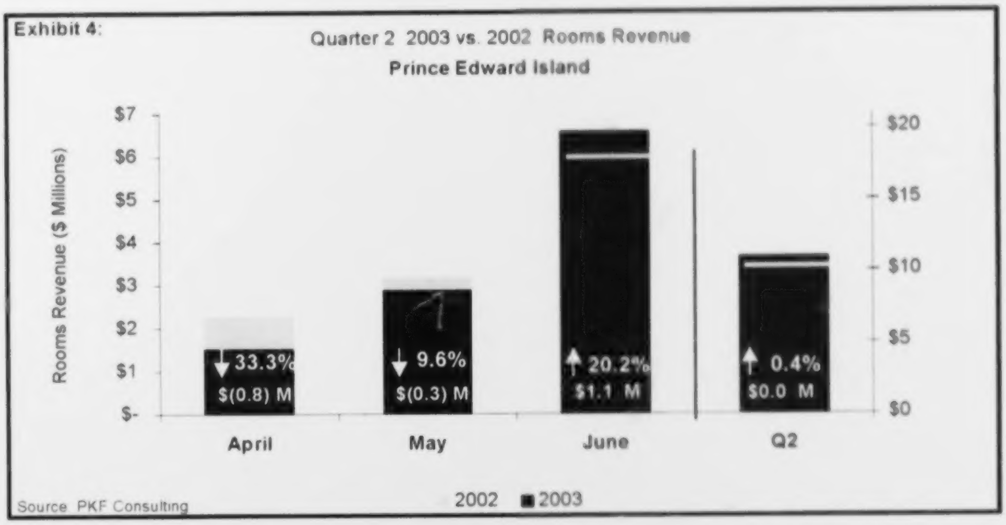
Source: PKF Consulting

Room Revenue

- PEI suffered a 33.3% erosion in room revenue during the month of April, with a further decline of 9.6% in May, before posting a robust 20.2% increase in June, in comparison to last year.

- Despite significant losses in April, overall Quarter 2 room revenue was on par with the same period last year, due to the gains made in June. Year-to-date room revenue is ahead by $0.31 Million (1.9%).

Exhibit 4:

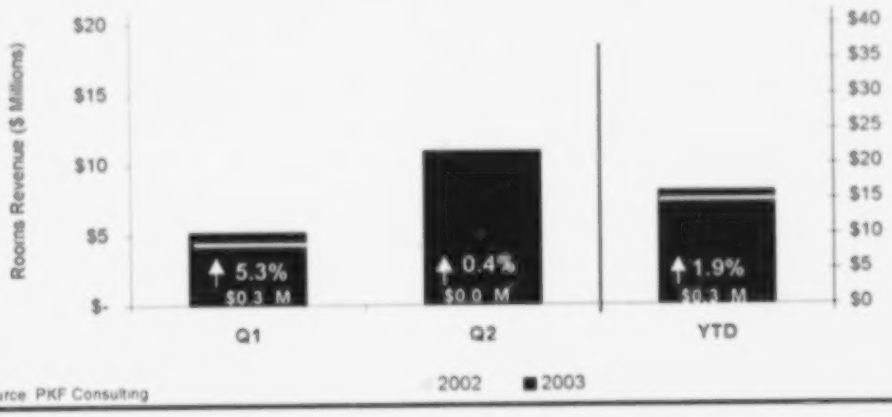


Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Prince Edward Island



Source: PKF Consulting

3.4 PROVINCE OF NOVA SCOTIA

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Nova Scotia's accommodation market was 10,288 rooms in Quarter 2 2003 – a 50 room (0.5%) increase from Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003, Nova Scotia's hotel market achieved a 68% occupancy at an average daily rate of $112. Occupancy levels were 4 percentage points below Quarter 2 of last year, with the average daily rate improving by close to $5.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

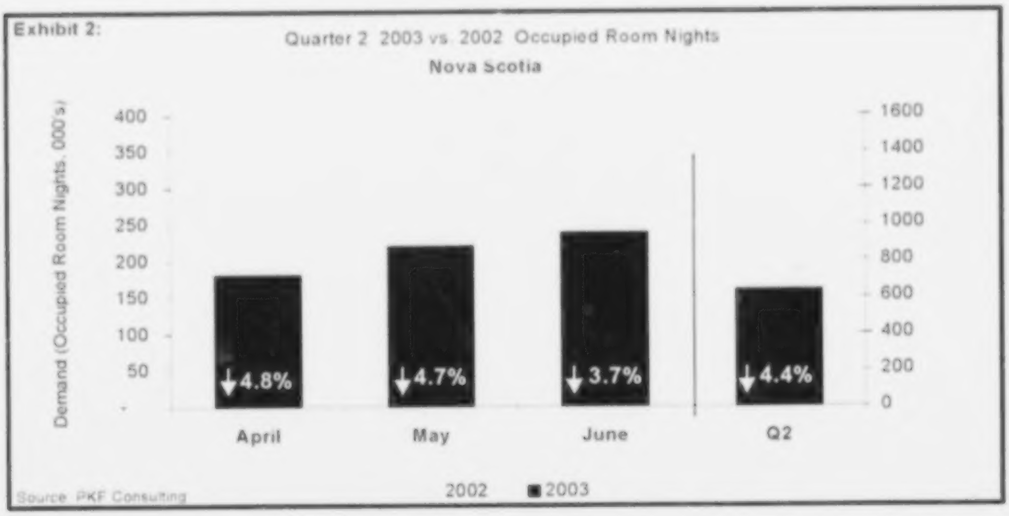
	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Halifax	75%	$122	79%	$116	-5%	5%
Other Nova Scotia	52%	$80	56%	$79	-7%	-1%
Total Nova Scotia	**68%**	**$112**	**72%**	**$107**	**-4%**	**4%**

Source: PKF Consulting

- Demand for the Nova Scotia accommodation market was down **by approximately 29,250 room nights or 4.4% in Quarter 2 2003**, as compared to Quarter 2, 2002.

- Demand has consistently been down by 4 to 5% in each month of the second quarter.

Exhibit 2:



Source: PKF Consulting

- While demand was ahead by 2.9% at the end of Quarter 1, Quarter 2 results showed a decline of 4.4%, bringing year-to-date results for 2003 1.3% below results achieved in the first half of 2002. This represents 15,400 fewer room nights sold, in comparison to the first six months of 2002.

3.4 PROVINCE OF NOVA SCOTIA

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Nova Scotia's accommodation market was 10,288 rooms in Quarter 2 2003 – a 50 room (0.5%) increase from Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003, Nova Scotia's hotel market achieved a 68% occupancy at an average daily rate of $112. Occupancy levels were 4 percentage points below Quarter 2 of last year, with the average daily rate improving by close to $5.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Halifax	75%	$122	79%	$116	-5%	5%
Other Nova Scotia	52%	$80	56%	$79	-7%	-1%
Total Nova Scotia	**68%**	**$112**	**72%**	**$107**	**-4%**	**4%**

Source: PKF Consulting

- Demand for the Nova Scotia accommodation market was down **by approximately 29,250 room nights or 4.4% in Quarter 2 2003**, as compared to Quarter 2, 2002.
- Demand has consistently been down by 4 to 5% in each month of the second quarter.

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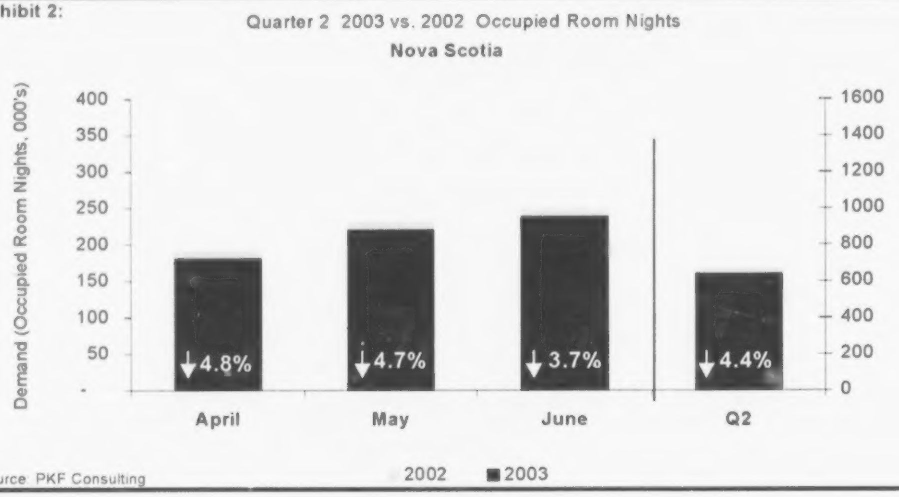

Source: PKF Consulting

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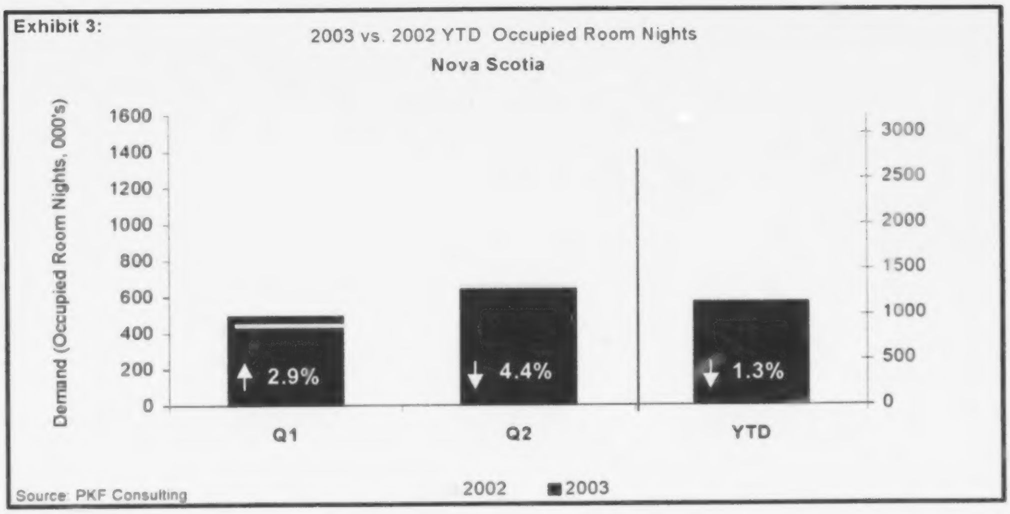


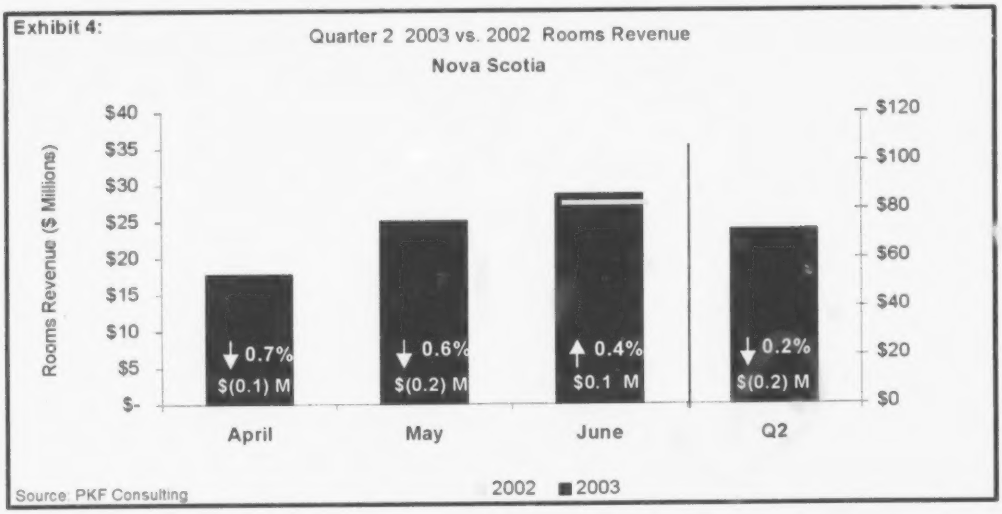
Source: PKF Consulting

Room Revenue

- The demand erosion amongst Nova Scotia's accommodation operators in the 2nd Quarter was offset by increases in ADR. Hence room revenue for the quarter was almost on par with last year -- a loss of only $161,000.

- With the gains made in Quarter 1, and minimal erosion in Quarter 2, room revenue for the province is ahead by $4.2 Million year-to-date – a 3.7% improvement over the first half of 2002.

Exhibit 4:

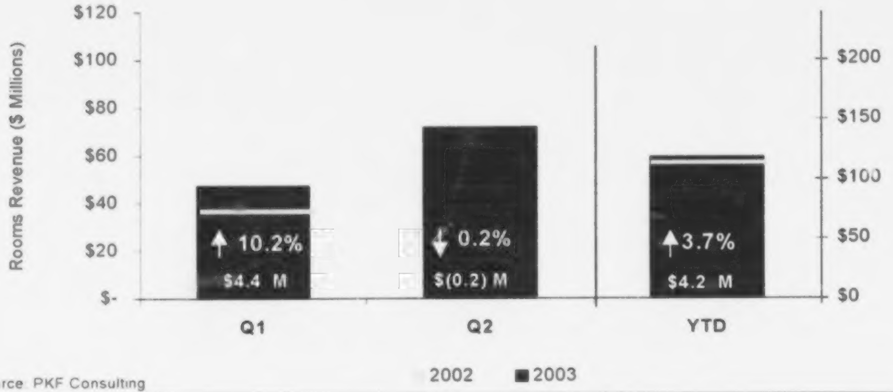


Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Nova Scotia



Source: PKF Consulting

3.5 HALIFAX/ DARTMOUTH AREA

QUARTER 2 2003: RESULTS

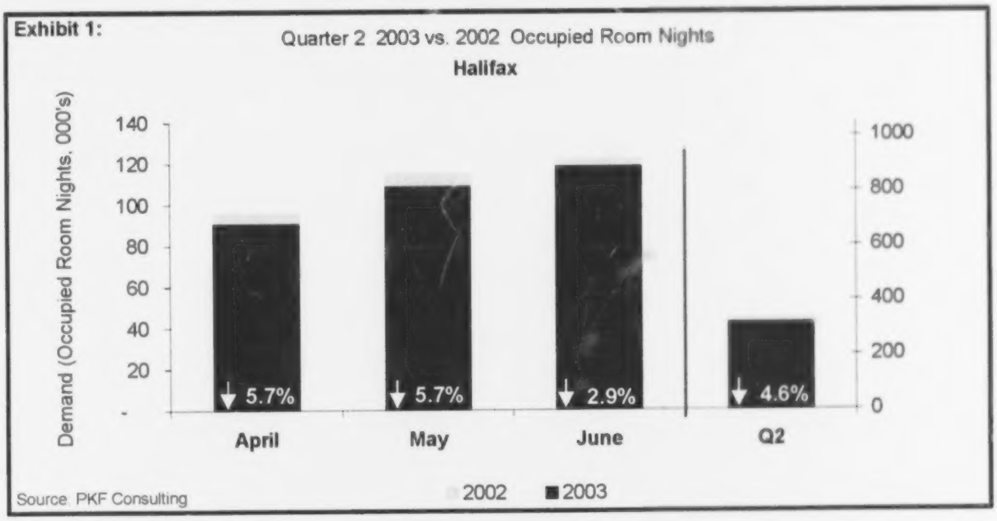
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Halifax / Dartmouth market was 4,633 rooms – with no growth or retraction of inventory compared to Q2 2003.

Demand

- During Quarter 2, the Halifax hotel market achieved a 75% occupancy at an average daily rate of $122.
- Demand for Halifax hotels **decreased by approximately 15,500 room nights or –4.6% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the industry was down by 5.7% in demand in April, followed by a decline of 5.7% in May and a further decline of 2.9% in June.

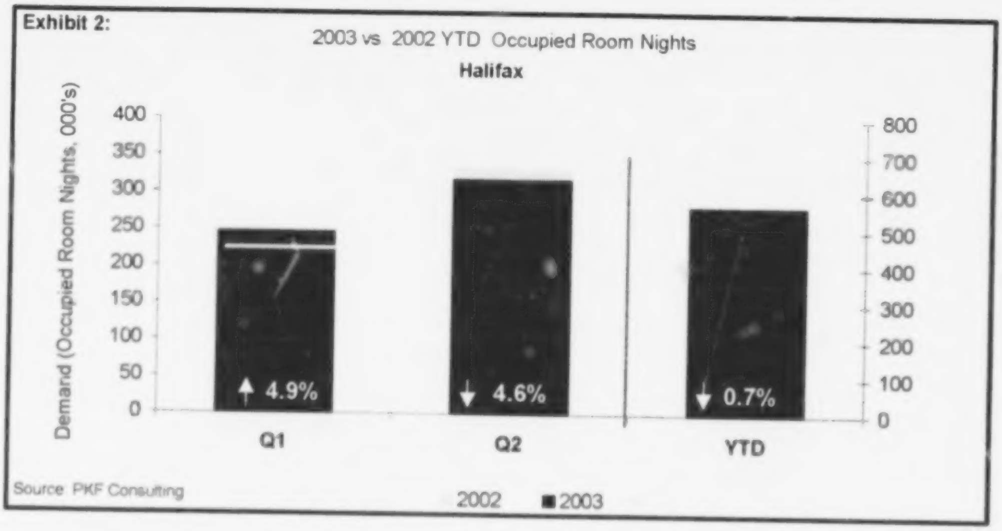
Exhibit 1:



Source: PKF Consulting

- The year was off to a good start with Quarter 1 demand levels up by 4.9% in Halifax/Dartmouth, but the gains made in the first 3 months were offset by a decline of 4.6% in demand in Quarter 2, bringing year-to-date results for 2003 slightly less than 1% below results achieved in the first half of 2002.

Exhibit 2:

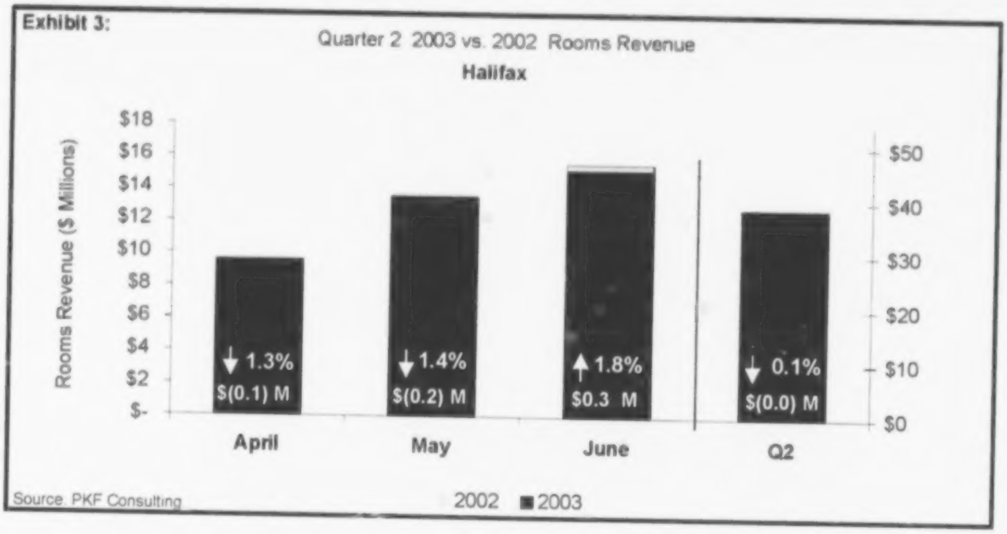


Source: PKF Consulting

Room Revenue

- Halifax/Dartmouth suffered a loss of $125,000 in room revenue during the month of April, followed by a further loss of $188,000 in May, before posting a $274,000 gain in June, in comparison to last year.
- Despite losses in April and May, overall Quarter 2 room revenue was on par with the same period last year, due to the gains made in June. Year-to-date room revenue is actually ahead by $2.8 Million (4.6%), largely due to a strong 1st Quarter performance.

Exhibit 3:



Source: PKF Consulting

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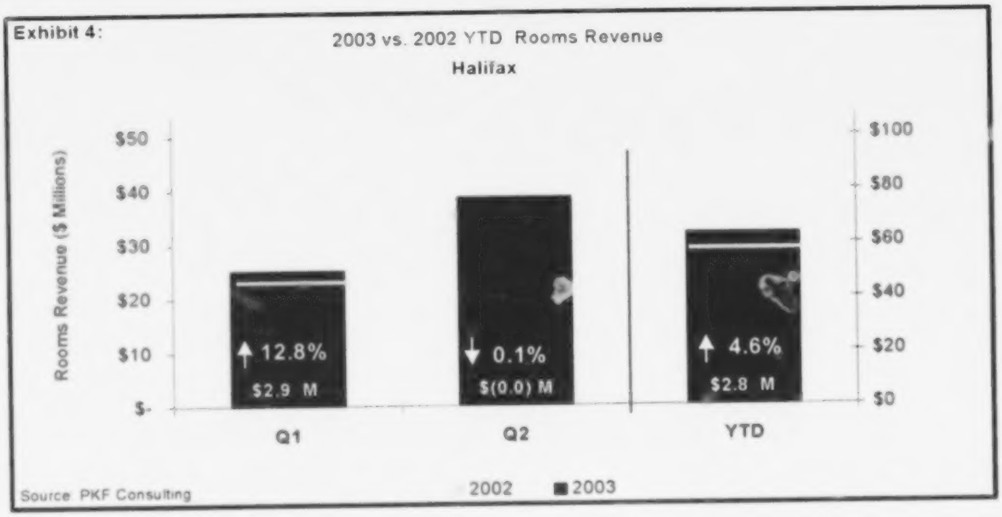

2003 vs. 2002 YTD Rooms Revenue
Halifax

Source: PKF Consulting

Budgets and PKF Outlook

- According to our PKF Outlook for the Halifax hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Halifax hotel market was forecast to achieve a 80% occupancy at an average daily rate of $119 in Quarter 2 2003.

- In preparing their operating budgets at the beginning of the year, Halifax hotels expected to achieve similar results to the PKF Outlook – 79% occupancy at a $120 ADR – by the end of the first quarter.

- Based on actual results, the industry missed their budgets by 3 percentage points in occupancy, but exceeded by $2 in rate in Quarter 2 2003.

Pre-Booked Business and Fill Rate

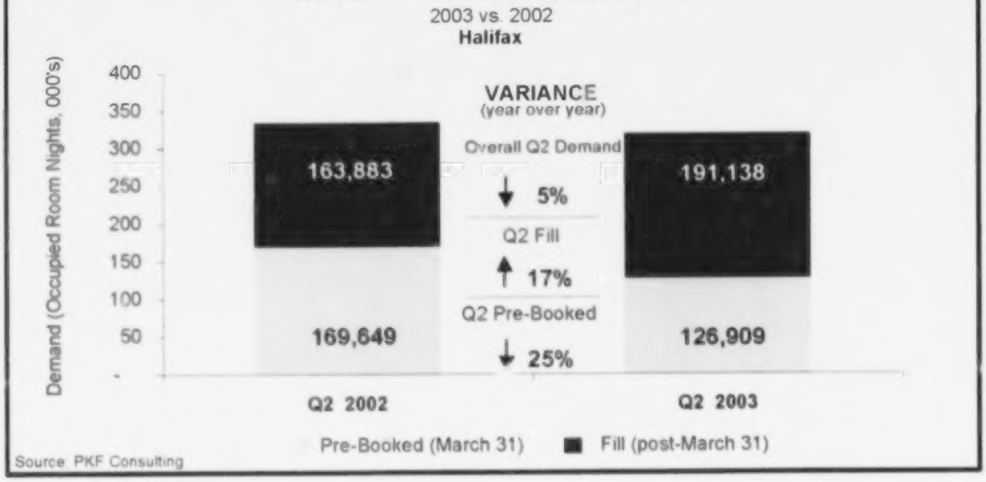
- As of March 31st, Halifax/Dartmouth hoteliers had pre-booked close to 127,000 room nights for the upcoming months of April, May and June – 25% fewer room nights than were pre- booked over the same time frame last year.

- Although overall Quarter 2 demand was down by 5% in 2003, the fill rate for the industry improved by 17% this quarter, with over 191,000 room nights sold between April 1 and June 30, as opposed to 164,000 last year.

- While SARS and geopolitical factors impacted pre-booking patterns, guests still ended up coming to Halifax/Dartmouth during Quarter 2.

Exhibit 5:

Pre-Booked as of March 31 and Fill Rate for Q2 2003 vs. 2002
Halifax



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Halifax hotel industry attributed most of their decreased demand in Quarter 2 2003 to SARS (28%); geopolitical factors (19%) and local, regional, national and economic conditions (18%).

- The segment responsible for the largest demand decrease was group leisure travel at 24% with independent travel second at 20%, with business and meetings and convention travel at 17% and 16% respectively.

- Furthermore, the industry cited a decline in domestic travel as the main reason for the loss in business at 61% and a drop in US travel at 35%.

- Based on the hotel guest's primary mode of transportation used to arrive in Halifax/Dartmouth, close to 2/3rd's of the loss in Quarter 2 was attributable to a decline in automobile traffic, with a further 30% attributable to a loss in airline travellers.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

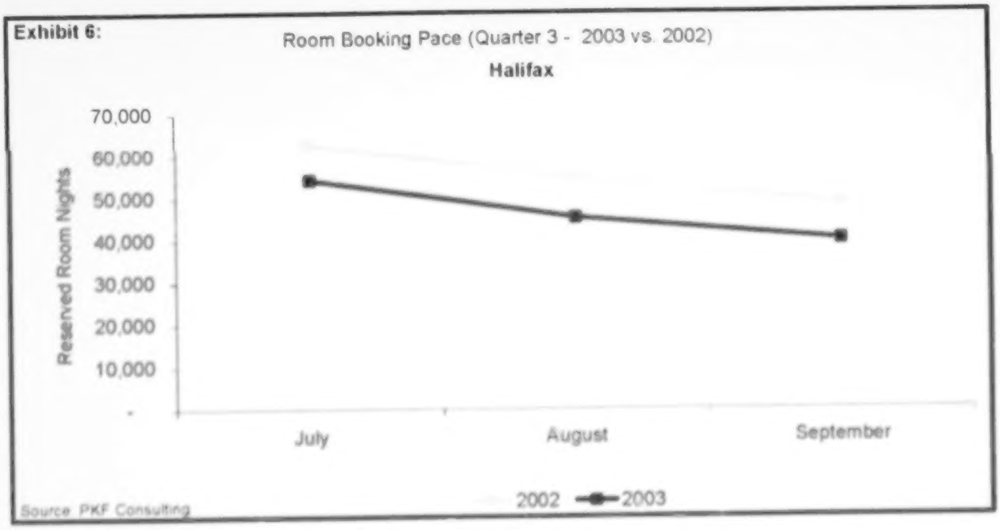
Booking Patterns

- As of June 30, 2002, 166,000 room nights or **42%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **140,000 room nights** of business was pre-booked for Quarter 3– which means that close to **26,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.

- This year's **Quarter 3 booking pace is down by 16%** in comparison to last year, which is not as bad as the period heading into Quarter 2, when the pace was off by 25%.

- Looking ahead to the summer months, unless the infill is as strong as Quarter 2, Quarter 3 demand is also expected to be down.

Exhibit 6:



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

Exhibit 7:
ROOM CANCELLATIONS

	Quarter 3	Quarter 4
Halifax	2,716	11,668
Cancelled Room Nights *Due to SARS*	1,630 ***60%***	7,001 ***60%***
Cancelled Room Nights *Due to Geopolitical Reasons*	1,087 ***40%***	4,667 ***40%***
Cancelled Room Nights *Due to West Nile Virus*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to BSE*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to Other Reasons*	0 ***0%***	0 ***0%***

Source: PKF Consulting

- The Halifax hotel industry reported over 2,700 room cancellations during Quarter 3 2003, with a further 11,670 cancelled in Quarter 4. This represents 1% of last year's Quarter 3 results and 3% of the Quarter 4 results.
- According to hotel operators, the vast majority of room cancellations were attributable to SARS (60%), with the balance due to geopolitical reasons (40%).
- In Quarter 3 2003, the **potential room revenue** loss due to room cancellations in the Halifax/Dartmouth market is estimated at **$345,000**, of which **$207,000 is attributable to SARS** and a further $138,000 to geopolitical reasons. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.
- Potential room revenue losses during **Quarter 4 2003** are expected to be much stronger, with over **$1.2 million in cancelled business**, of which over $765,000 is attributable to SARS.

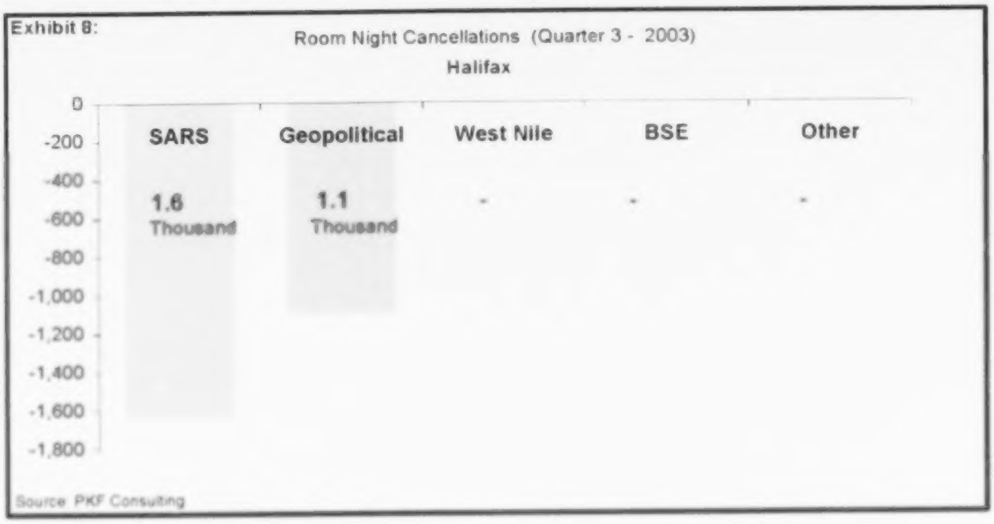


Exhibit 8:

Room Night Cancellations (Quarter 3 - 2003)

Halifax

Source: PKF Consulting

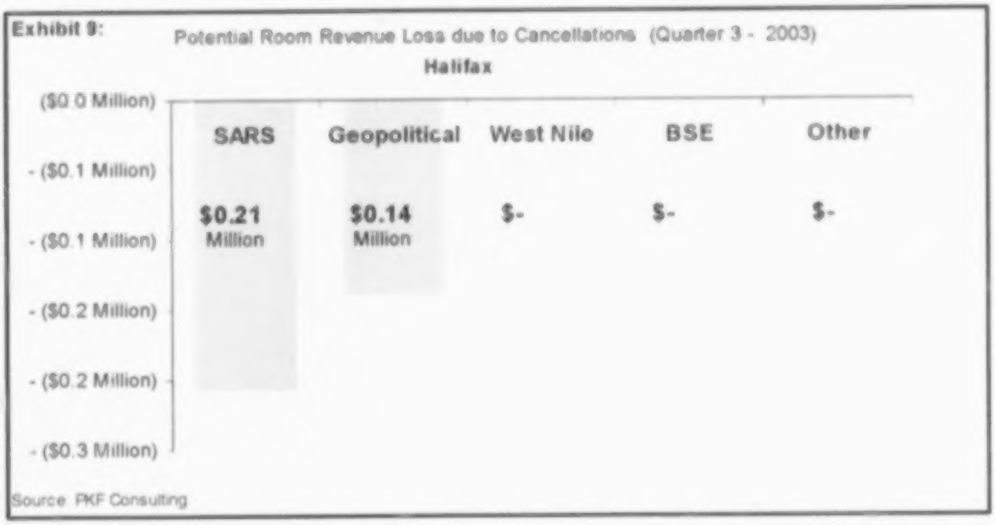


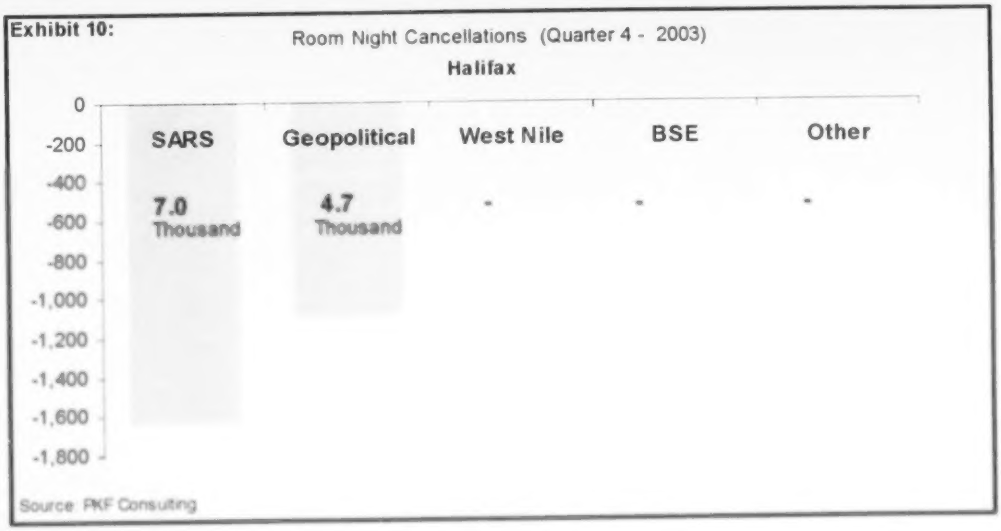
Exhibit 9:

Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)

Halifax

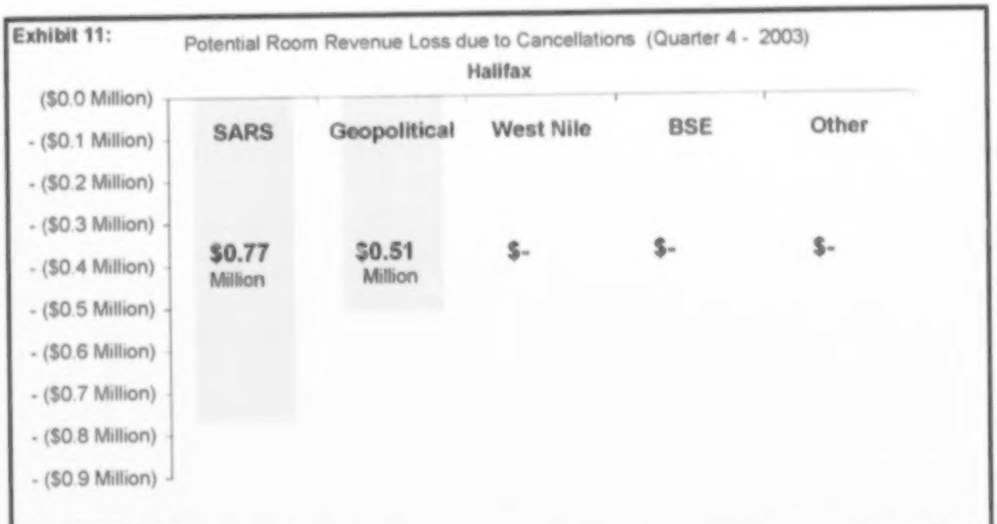
Source: PKF Consulting

Exhibit 10:



Source: PKF Consulting

Exhibit 11:



Source: PKF Consulting

3.6 PROVINCE OF NEW BRUNSWICK

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- New Brunswick's accommodation market was 7,732 rooms in Quarter 2 2003 – with 83 rooms (1.1%) added from Quarter 2 2002.

Demand and Rate

- During Quarter 2 2003, New Brunswick's hotel market achieved a 57% occupancy at an average daily rate of $92. Occupancy levels were 4 percentage points lower than Quarter 2 of last year, with the average daily rate improving by approximately $1.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003 *		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Moncton	56%	$91	62%	$90	-9%	2%
Other New Brunswick	59%	$94	59%	$92	0%	2%
Total New Brunswick	**57%**	**$92**	**61%**	**$91**	**-6%**	**2%**

Source: PKF Consulting

- Demand for the New Brunswick accommodation market declined **by approximately 25,000 room nights or 6.0% in Quarter 2 2003**, as compared to the same quarter last year.
- While April demand levels were only off by 1.7%, there was a 12.1% decrease in May and a 3.8% erosion in June.

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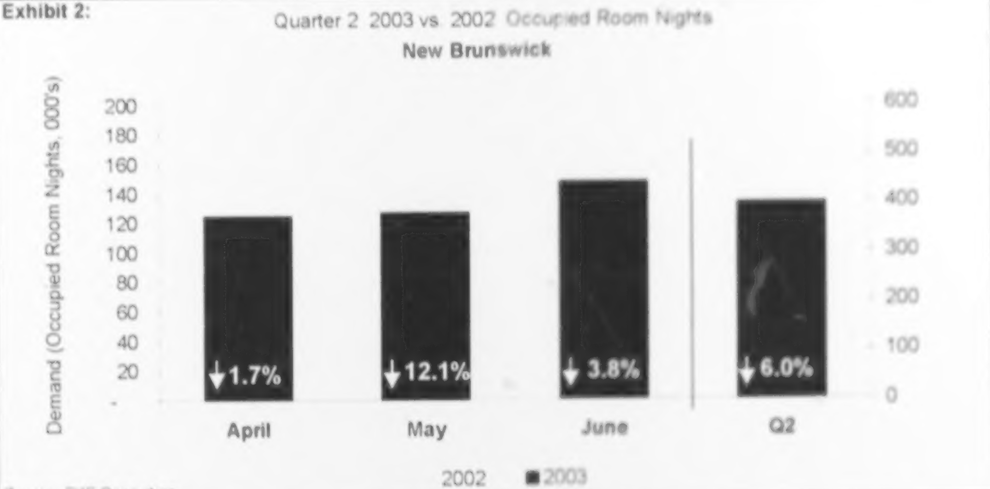

Source: PKF Consulting

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Total New Brunswick	57%	$92	61%	$91	-6%	2%

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- Demand for the New Brunswick accommodation market declined **by approximately 25,000 room nights or 6.0% in Quarter 2 2003**, as compared to the same quarter last year.
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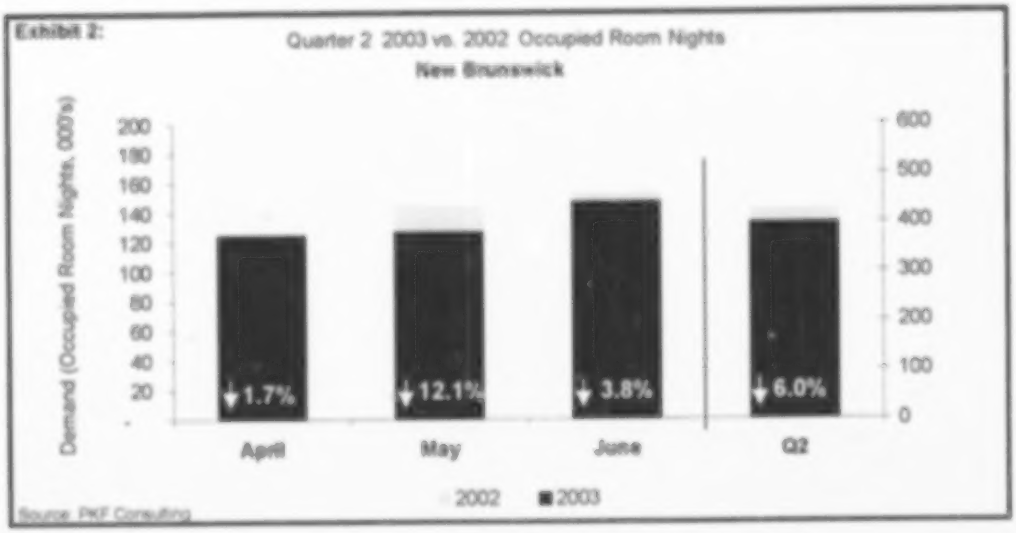
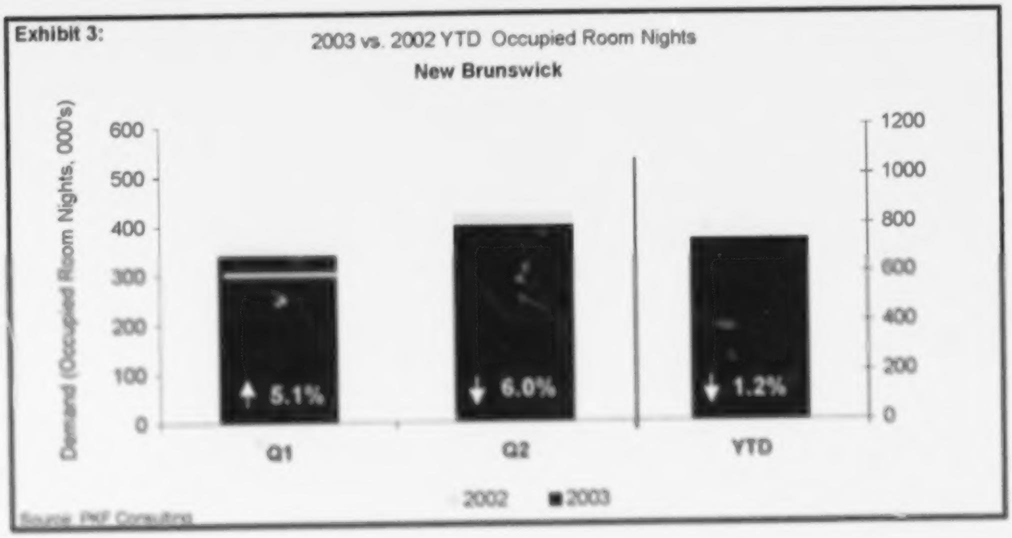


Source: PKF Consulting

Exhibit 3:

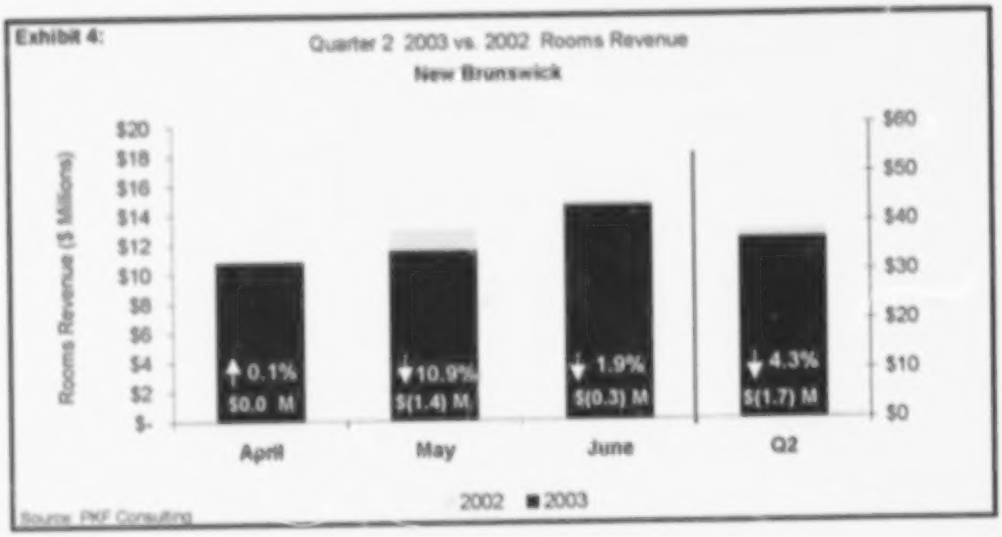


Source: PKF Consulting

Room Revenue

- New Brunswick's room revenue losses were predominantly felt in May, which recorded a decline of $1.3 Million from last year's results.
- Overall Quarter 2 room revenue was 4.3% below the same period last year, resulting in a Q2 room revenue loss of $1.7 Million. While the industry was ahead by $1.6 Million in room revenue during Quarter 1, the Quarter 2 loss has eroded the industry's earlier gains.

Exhibit 4:



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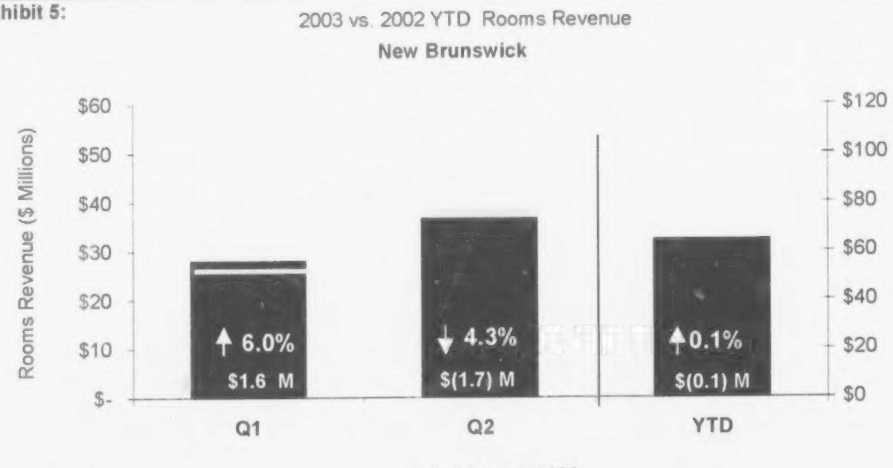


Source PKF Consulting

4.0 QUEBEC PROVINCIAL/MARKET PERFORMANCE

4.1 PROVINCE OF QUEBEC

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Overall, the Province of Quebec's accommodation supply was 56,385 rooms in Quarter 2 2003 – a reduction of 175 rooms compared to the same period last year.

Demand and Rate

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Montreal - Overall	67%	$146	75%	$147	-12%	-1%
Greater Quebec	60%	$138	65%	$141	-8%	-2%
Other Quebec	54%	$108	56%	$106	-4%	2%
Total Quebec	**63%**	**$137**	**69%**	**$139**	**-8%**	**-2%**

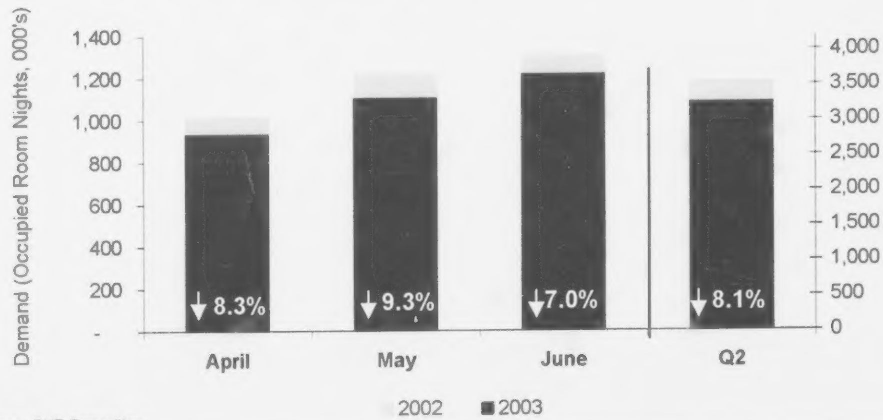
Source: PKF Consulting

- During Quarter 2 2003, the Province of Quebec's hotel market achieved a 63% occupancy at an average daily rate of $137. Occupancy levels were 6 percentage points lower than Quarter 2 of last year, with the average daily rate sliding by $2.
- Demand for the Quebec's accommodation market was **down by approximately 288,400 room nights or 8.1% in Quarter 2 2003**, as compared to the second quarter of 2002.
- Demand levels were consistently down each month in the second quarter – April was down by 8.3%, May by 9.3% and June by 7.0%.

Exhibit 2:

Quarter 2 2003 vs. 2002 Occupied Room Nights

Quebec



Source: PKF Consulting

- While demand was flat at the end of Quarter 1, Quarter 2 results showed a decline of 8.1%, bringing **year-to-date performance for 2003 4.4% below results achieved in the first half of 2002.**

4.0 QUEBEC PROVINCIAL/MARKET PERFORMANCE

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Total Quebec	**63%**	**$137**	**69%**	**$139**	**-8%**	**-2%**

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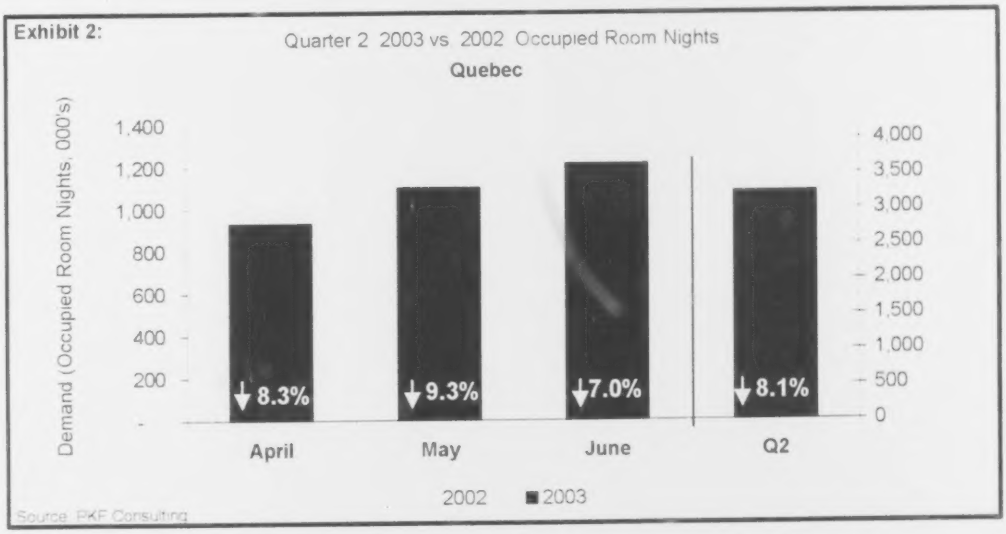
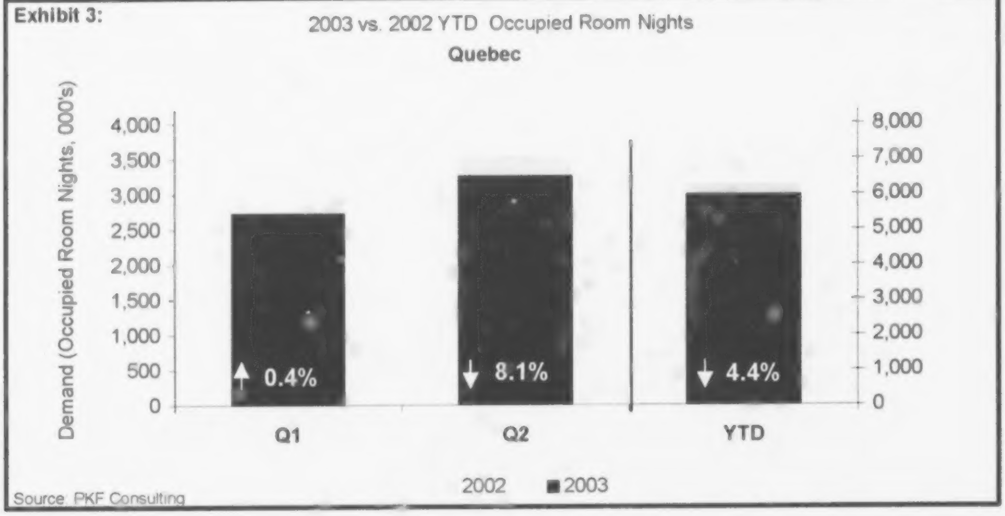


Source: PKF Consulting

- While demand was flat at the end of Quarter 1, Quarter 2 results showed a decline of 8.1%, bringing **year-to-date performance for 2003 4.4% below results achieved in the first half of 2002**.

Exhibit 3:

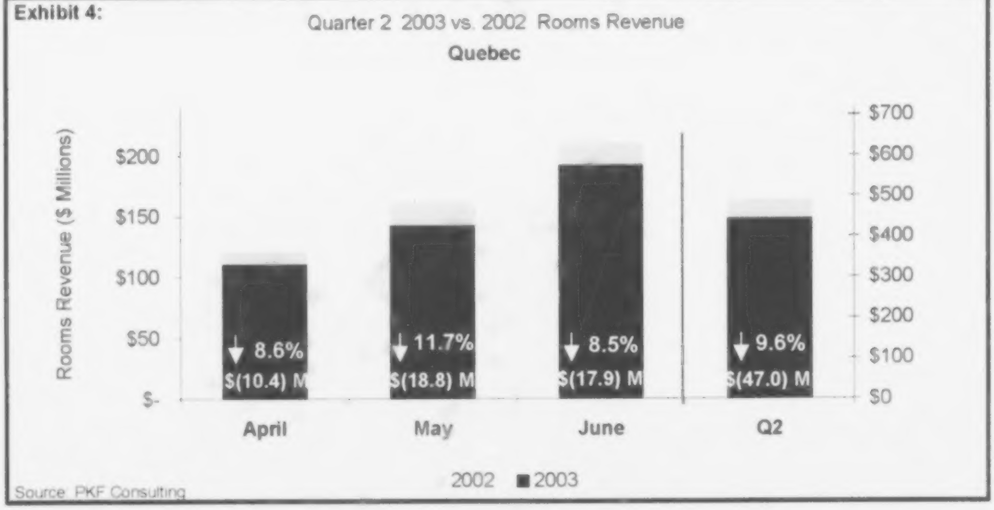


Source: PKF Consulting

Room Revenue

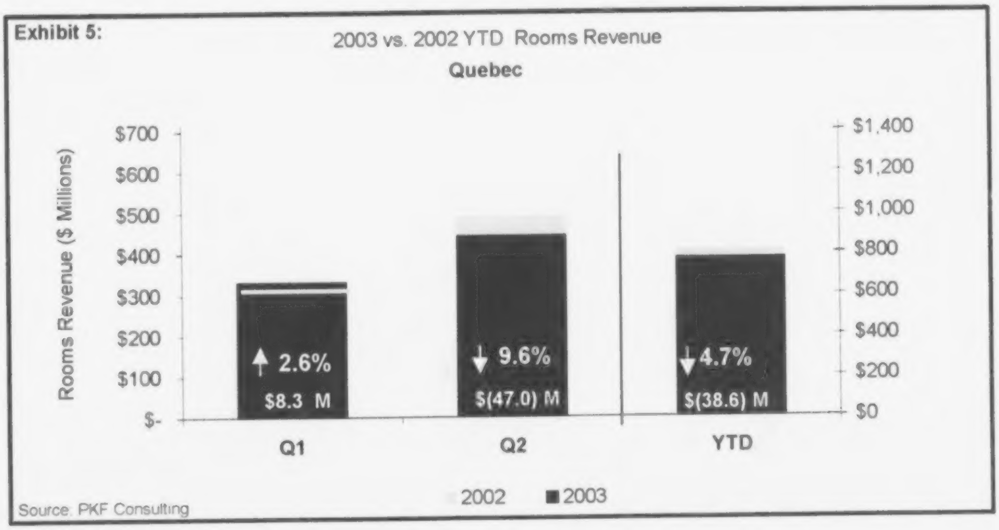
- Quebec's room revenue declined by 8.6% in April and 11.7% in May, and continued the trend with another decline of 8.5% in June.
- Overall, Quarter 2 room revenue for the province was down by $47 Million (9.6%) compared to the same period last year. Although the province showed encouraging growth in Quarter 1 by recording a gain of $8.3 Million in room revenue, year-to-date room revenue has fallen behind by 4.7% due to the decline in Quarter 2. To date, the Quebec accommodation sector has reported a loss of $38.6 Million as compared to last year's results for the first half.

Exhibit 4:



Source: PKF Consulting

Exhibit 5:



Source: PKF Consulting

4.2 GREATER MONTREAL AREA

QUARTER 2 2003: RESULTS

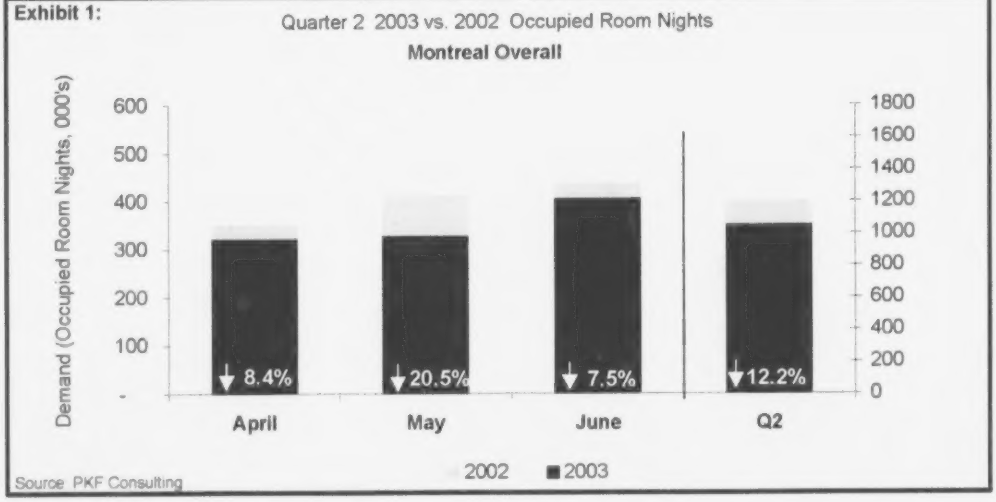
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Greater Montreal Area was 17,299 rooms – a 1.2% decline from the same period in 2002.

Demand

- During Quarter 2, the Greater Montreal hotel market achieved 67% occupancy at an average daily rate of $146.
- Demand for Greater Montreal hotels **decreased by approximately 147,000 room nights or –12.2% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the industry was down by 8.4% in demand in April, swelling to a decline of 20.5% in May and a further drop of 7.5% in June.

Exhibit 1:



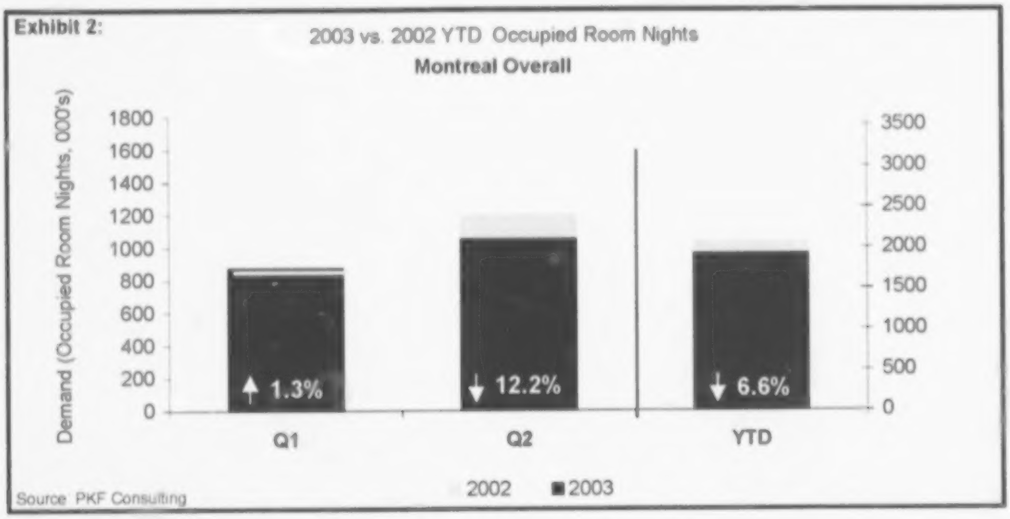
Quarter 2 2003 vs. 2002 Occupied Room Nights

Montreal Overall

Source PKF Consulting

- Any marginal gains made by the industry in Quarter 1 (demand levels were up by 1.3%), were quickly eroded in Quarter 2 (down by 12.2% in demand). As such, year-to-date results for 2003 are 6.6% below results achieved in the first half of 2002.

Exhibit 2:

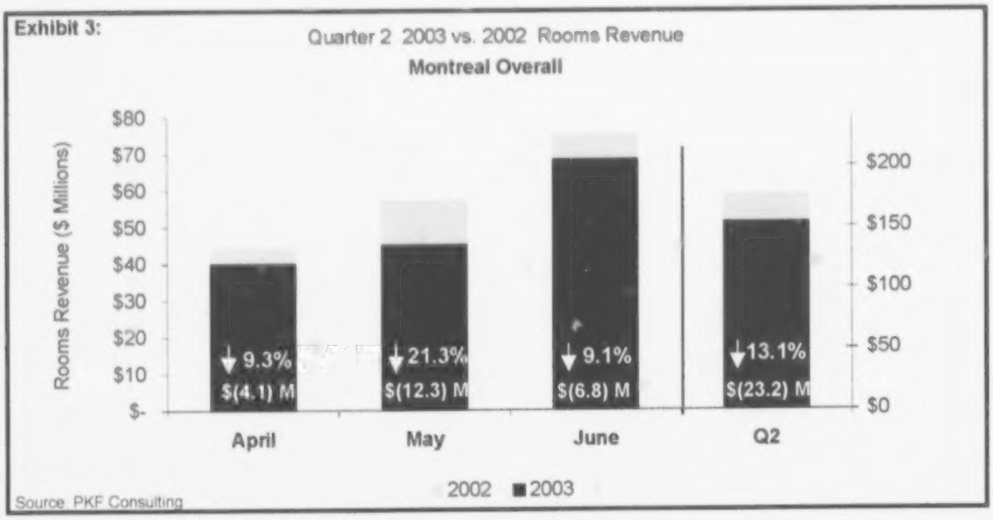


Source PKF Consulting

Room Revenue

- Greater Montreal endured a loss of $4.1 Million in room revenue during the month of April, ballooning to a $12.3 Million loss in May, and $6.8 Million in June, as compared to last year's earnings.
- Quarter 2's room revenue was off by $23.2 Million, placing year-to-date revenues $20.9 Million behind the first six months of 2002 – a decline of 7.5%.

Exhibit 3:



Source PKF Consulting

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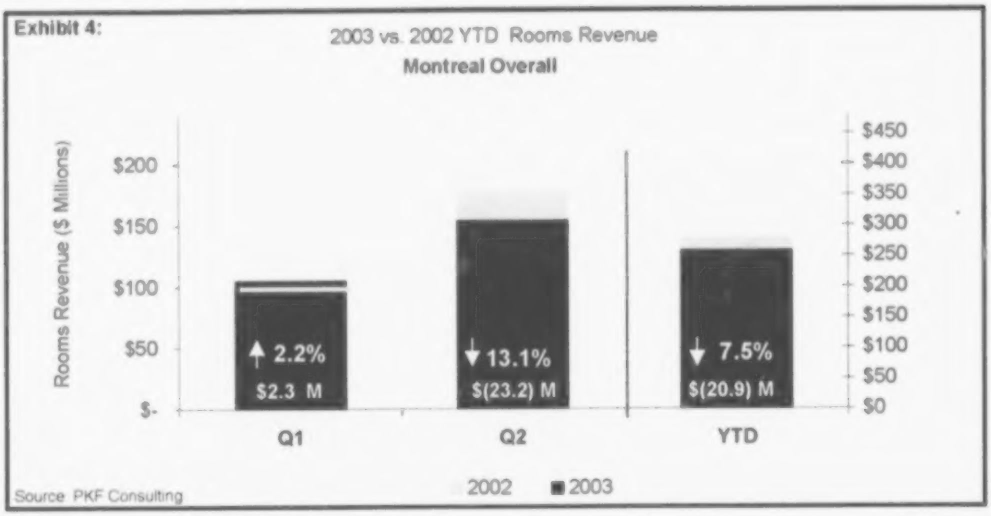


Source PKF Consulting

Budgets and PKF Outlook

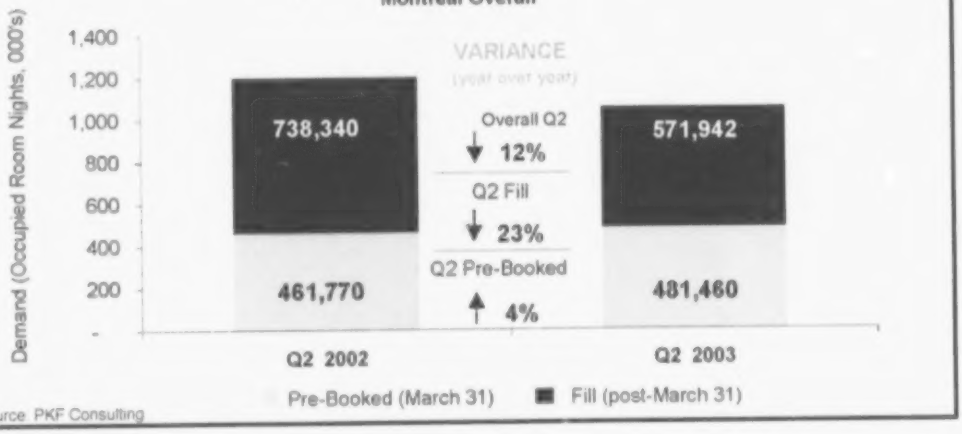
- According to our PKF Outlook for the Greater Montreal hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the GMA hotel market was forecast to achieve a 79% occupancy at an average daily rate of $152 in Quarter 2 2003.
- In preparing their operating budgets at the beginning of the year, Greater Montreal hoteliers were less optimistic forecasting a 77% occupancy at a $150 ADR – by the end of the second quarter.
- Based on actual results, the industry missed their budgets by 10 full percentage points in occupancy, and $4 in rate in Quarter 2 2003.

Pre-Booked Business and Fill Rate

- As of March 31st, 2003 Greater Montreal hoteliers had pre-booked close to 481,500 room nights for the upcoming months of April, May and June – 4% more room nights than were pre- booked over the same time frame last year.
- The fill rate for the industry was down by 23% this quarter, with 211,400 fewer room nights sold between April 1 and June 30, than the same period last year.
- While pre-booked business was up over last year, SARS and geopolitical factors definitely had an impact on fill rates in Quarter 2.

Exhibit 5:

Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
Montreal Overall



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Greater Montreal hotel industry attributed most of their decreased demand in Quarter 2 2003 to SARS (53%); geopolitical factors (17%), increased competition (14%) and local, regional, national and economic conditions (11%).

- The segment responsible for the largest demand decrease was group leisure travel at 25%, with meetings and convention travel and the corporate sector running second at 24% each.

- According to hoteliers, approximately ½ of the decline was attributable to a loss of US travellers, with a further 28% credited to a loss in the overseas market.

- Based on the hotel guest's primary mode of transportation used to arrive in Montreal, over 43% of the loss in Quarter 2 was attributable to a decline in air traffic, with a further 40% attributable to a loss in the drive market.

Results by Montreal's SUB-MARKETS

- The Greater Montreal Area can be divided into 2 hotel submarkets – Downtown Montreal and the Montreal Airport/Laval area.

- Both markets were hit equally hard in Quarter 2 --- the Montreal Airport/Laval area was down by 12.3% in demand, while downtown properties were off by 12.2% in comparison to the previous year.

- Quarter 2 2003 booking patterns were stronger amongst Montreal's downtown hotels, in comparison to Montreal Airport/Laval hotel properties, which were flat. As of March 31st, 2003, downtown hotels pre-booked over 307,000 room nights for the upcoming Quarter 2 – 81,000 more than were pre-booked the previous year. Conversely, booking patterns amongst Montreal's Airport/Laval hotels were behind by 6% in April and 8% in May, before turning the corner to be 19% ahead in June, in comparison to last year. Despite a strong June showing, Q2 2003 showed 174,000 room nights booked --- which was on par with last year.

- Downtown Montreal hotels (representing about 68% of the total Greater Montreal hotel inventory) reported a $17.1 Million loss in room revenues during Quarter 2 – a 12.6% decline over last year's Q2 results.
- **The Montreal Airport/Laval, with an inventory of 5,674 rooms, recorded an estimated loss of over $6.1 Million in room revenue during Quarter 2 – a 14.7% decrease from last year.**

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

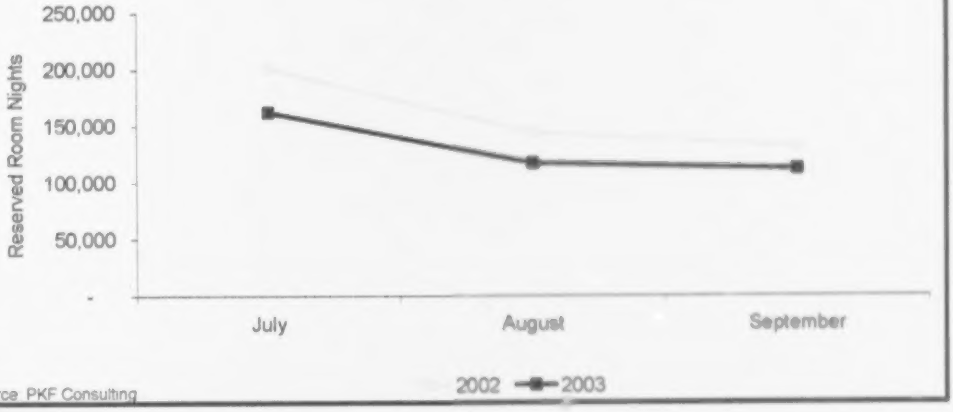
Booking Patterns

- As of June 30, 2002, 477,000 room nights or **37%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **391,500 room nights** of business was pre-booked for Quarter 3– which means that close to **85,500 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.
- While the first half's booking pattern for Greater Montreal was only off by 1%, this year's **Quarter 3 booking pace is down by 18%** in comparison to last year.
- Given the low fill rate in Quarter 2, combined with the slide in Quarter 3 pre-bookings, prospects for Quarter 3 are not encouraging.

Exhibit 6:

Room Booking Pace (Quarter 3 - 2003 vs. 2002)

Montreal Overall



Source PKF Consulting

Q3 & Q4 - Room Cancellations

- The Greater Montreal Hotel industry reported an estimated 23,000 room cancellations during Quarter 3, with a further 900 in Quarter 4 2003.
- According to hotel operators, the vast majority of room cancellations were attributable to SARS and "other reasons".
- In Quarter 3 2003, the **potential room revenue** loss due to room cancellations in the Greater Montreal market is estimated at **$3.2 Million**, of which **$2.0 Million is attributable to SARS** and a further $0.8 Million to "other" reasons. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.
- Potential room revenue losses during **Quarter 4 2003** are not expected to be as devastating, with **$115,000 in cancelled business**, of which $70,000 is attributable to "other" reasons.

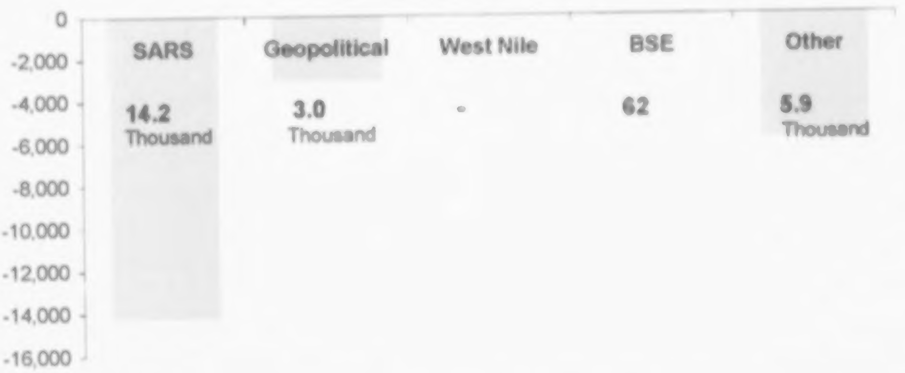
Exhibit 7:
ROOM CANCELLATIONS

GMA Markets	**Quarter 3**	**Quarter 4**
Montreal Downtown	21,380	904
Montreal Airport/Laval	1,831	0
TOTAL GMA	**23,211**	**904**
Cancelled Room Nights *Due to SARS*	14,250 ***61%***	365 ***40%***
Cancelled Room Nights *Due to Geopolitical Reasons*	3,033 ***13%***	0 ***0%***
Cancelled Room Nights *Due to West Nile Virus*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to BSE*	62 ***0%***	0 ***0%***
Cancelled Room Nights *Due to Other Reasons*	5,867 ***25%***	539 ***60%***

Source: PKF Consulting

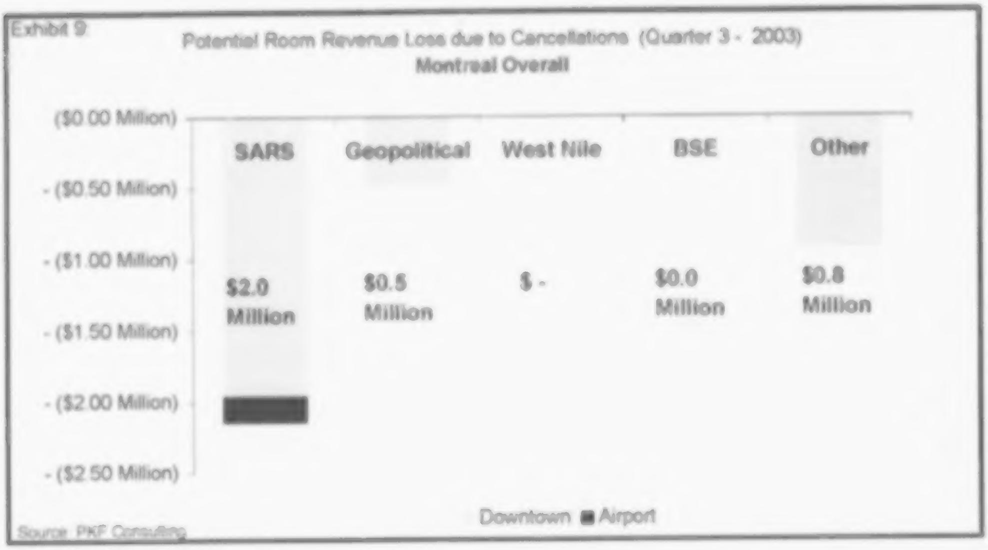
Exhibit 8:

Room Night Cancellations (Quarter 3 - 2003)
Montreal Overall



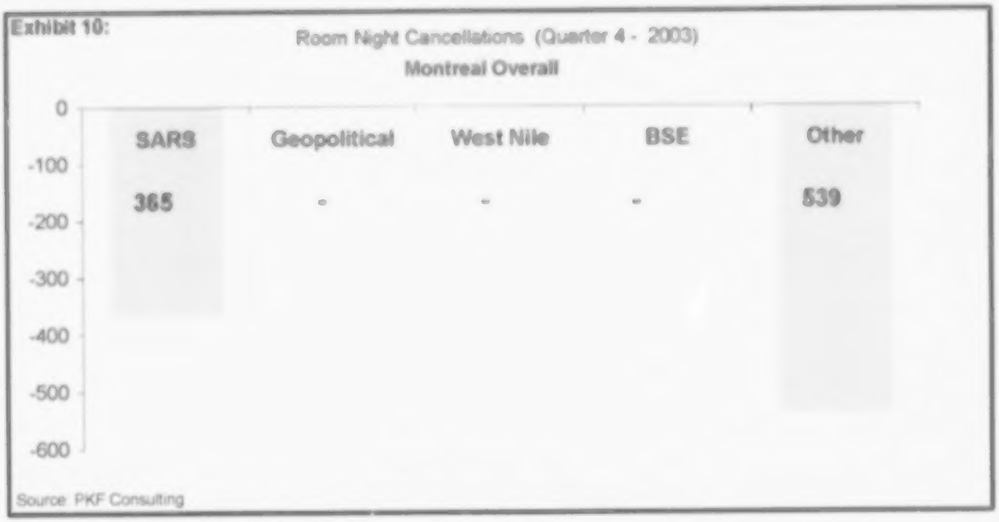
Source: PKF Consulting

Exhibit 9:


Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)
Montreal Overall

Source: PKF Consulting

Exhibit 10:

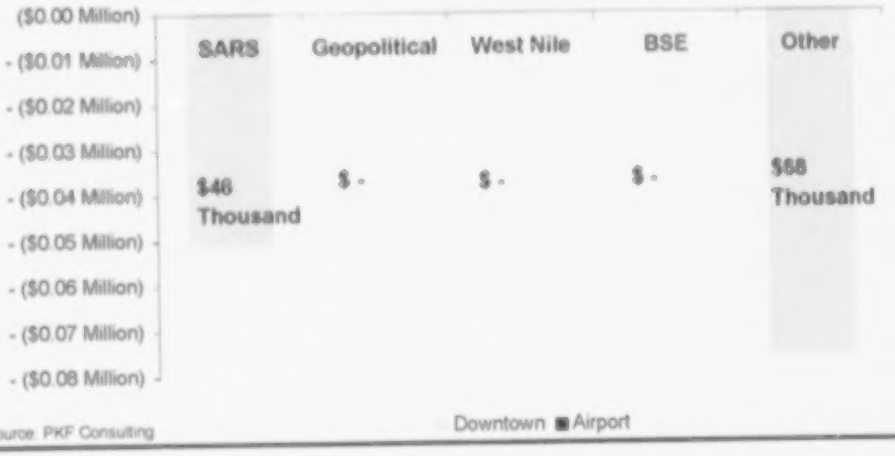

Room Night Cancellations (Quarter 4 - 2003)
Montreal Overall

Source: PKF Consulting

Exhibit 11:

Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)

Montreal Overall



Source: PKF Consulting

4.3 GREATER QUEBEC CITY

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Quebec City hotel market was 11,140 rooms – with no growth or retraction of inventory since Q2 2002.

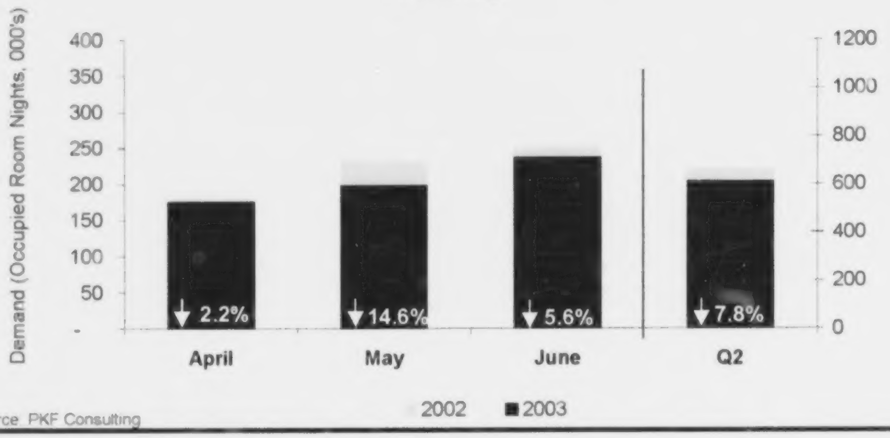
Demand

- During Quarter 2, the Quebec City hotel market achieved a 60% occupancy at an average daily rate of $138.
- Demand for Quebec City hotels **decreased by approximately 52,000 room nights or – 7.8% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the industry was down by 2.2% in demand in April, escalating in May to a decline of 14.6% and showing a further decline of 5.6% in June.

Exhibit 1:

Quarter 2 2003 vs. 2002 Occupied Room Nights

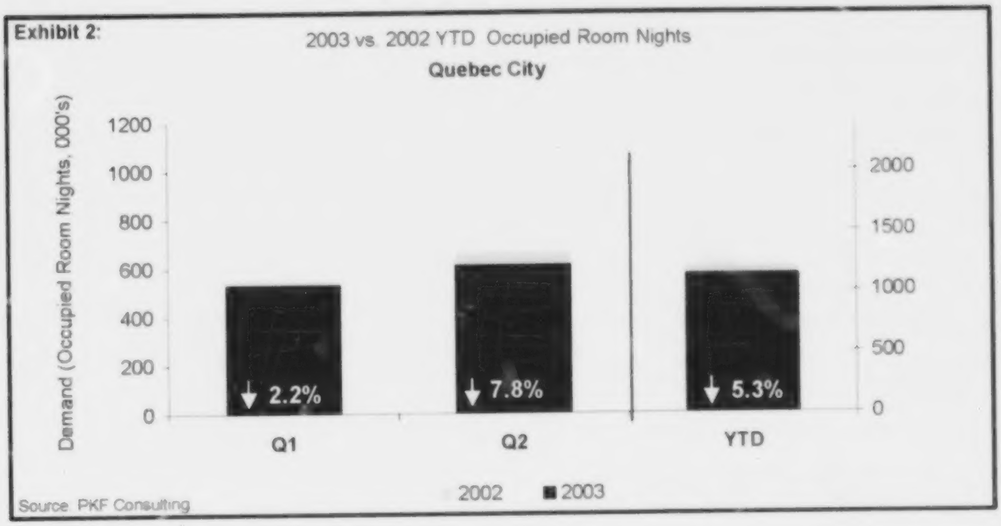
Quebec City



Source: PKF Consulting

- Quebec City's Quarter 1 demand levels were off by 2.2%, and then more than tripled to a decline of 7.8% in Quarter 2, bringing year-to-date results for 2003 5.3% below results achieved in the first half of 2002.

Exhibit 2:



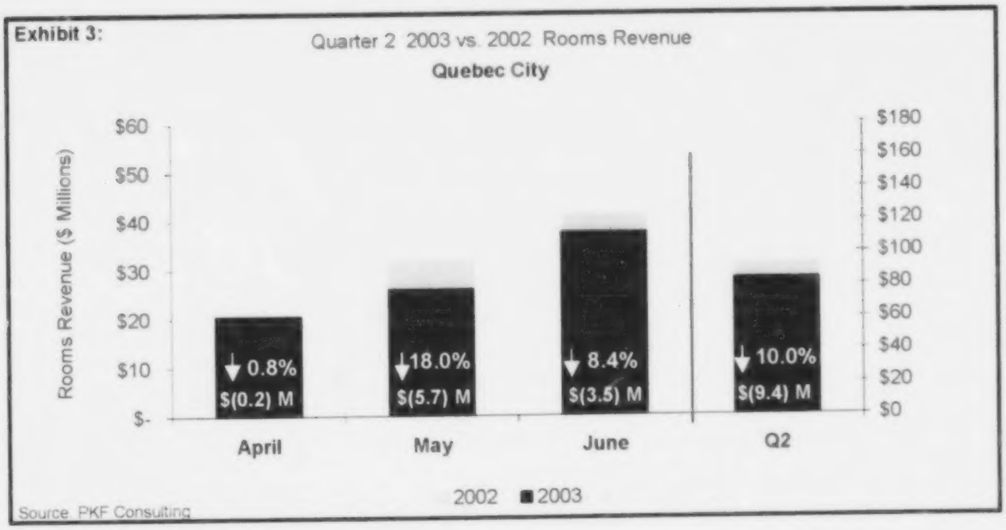
2003 vs. 2002 YTD Occupied Room Nights
Quebec City

Source: PKF Consulting

Room Revenue

- Quebec City endured a loss of $172,000 in room revenue during the month of April, escalating to a further loss of $5.7 Million in May, and $3.5 Million in June, in comparison to last year.
- With consistent losses each month, Quarter 2 room revenue was 10% below last year – a loss of $9.4 Million. With a static Quarter 1, year-to-date room revenue is behind by $9.5 Million (6.0%).

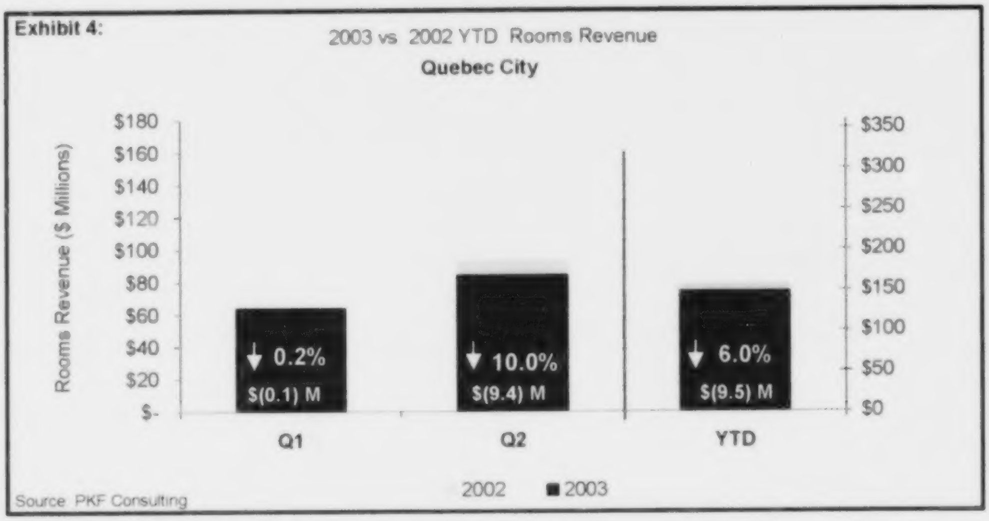
Exhibit 3:



Quarter 2 2003 vs. 2002 Rooms Revenue
Quebec City

Source: PKF Consulting

Exhibit 4:



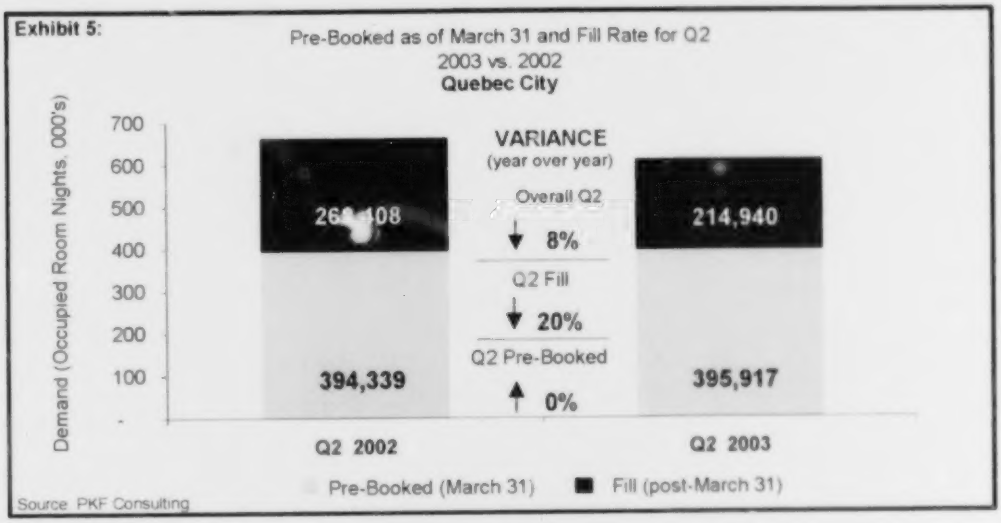
Source: PKF Consulting

Budgets and PKF Outlook

- According to our PKF Outlook for the Quebec City hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 67% occupancy at an average daily rate of $145 in Quarter 2 2003.
- In preparing their operating budgets at the beginning of the year, Quebec City hoteliers expected to achieve similar results to the PKF Outlook – 68% occupancy at a $144 ADR – by the end of the second quarter.
- Based on actual results, the industry missed their budgets by 8 percentage points in occupancy, and by $6 in rate in Quarter 2 2003.

Pre-Booked Business and Fill Rate

- As of March 31st, hoteliers had pre-booked close to 396,000 room nights for the upcoming months of April, May and June –close to 1,600 more room nights than were pre- booked over the same time frame last year.
- The fill rate for the industry was down by 20% this quarter, with 53,500 fewer room nights sold between April 1 and June 30, than the same period last year.
- While pre-booked business was flat in comparison to last year, SARS and geopolitical factors clearly had an impact on fill rates in Quarter 2.



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

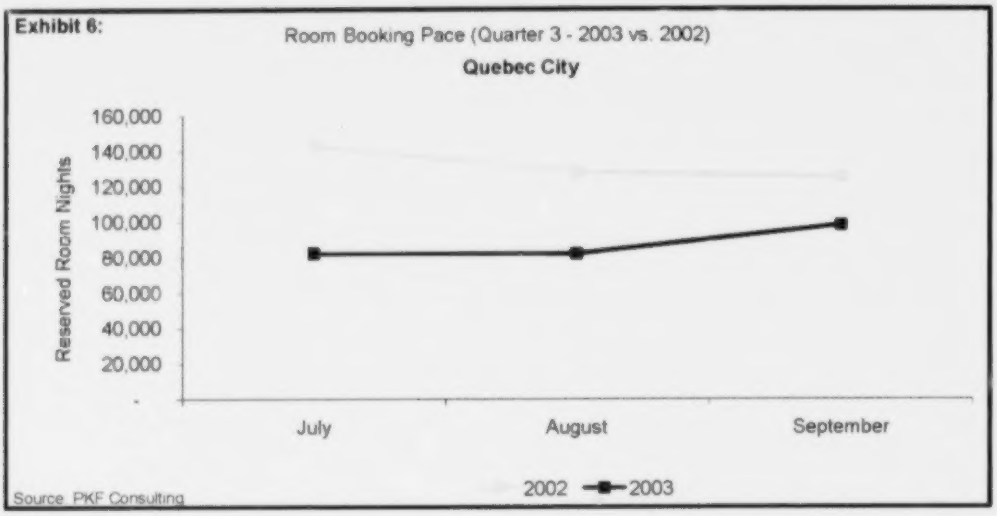
- The Quebec City hotel industry attributed most of their decreased demand in Quarter 2 2003 to SARS (65%) and geopolitical factors (22%).
- The segment responsible for the largest demand decrease was group leisure travel at 47% with independent travel second at 26%.
- Furthermore, the industry reported a decline in US travel as the main reason for the loss in business at 62% and a drop in overseas travel at 33%.
- Based on the hotel guest's primary mode of transportation used to arrive in Quebec City, approximately 40% of the loss in Quarter 2 was attributable to a decline in automobile traffic, with a further 37% attributable to a loss in airline travellers.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 396,100 room nights or **46%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **262,400 room nights** of business was pre-booked for Quarter 3– which means that close to **134,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.
- This year's **Quarter 3 booking pace is down by 34%** in comparison to last year.
- Looking ahead to the summer months, with far less business "on the books", and a poor infill rate in Quarter 2, Quarter 3 demand is also expected to be down.

Exhibit 6:



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

- The Greater Quebec City hotel industry reported close to 35,000 room cancellations during Quarter 3 2003, with a further 14,100 cancelled in Quarter 4. This represents 4% of last year's Quarter 3 results and 0.5% of the Quarter 4 results.
- According to hotel operators, the vast majority of room cancellations were attributable to SARS (88%), with 5% due to geopolitical reasons.
- In Quarter 3 2003, the **potential room revenue** loss due to room cancellations in the Quebec City market is estimated at **$6.2 Million**, of which **$5.45 Million is attributable to SARS** and a further $300,000 to geopolitical reasons. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.

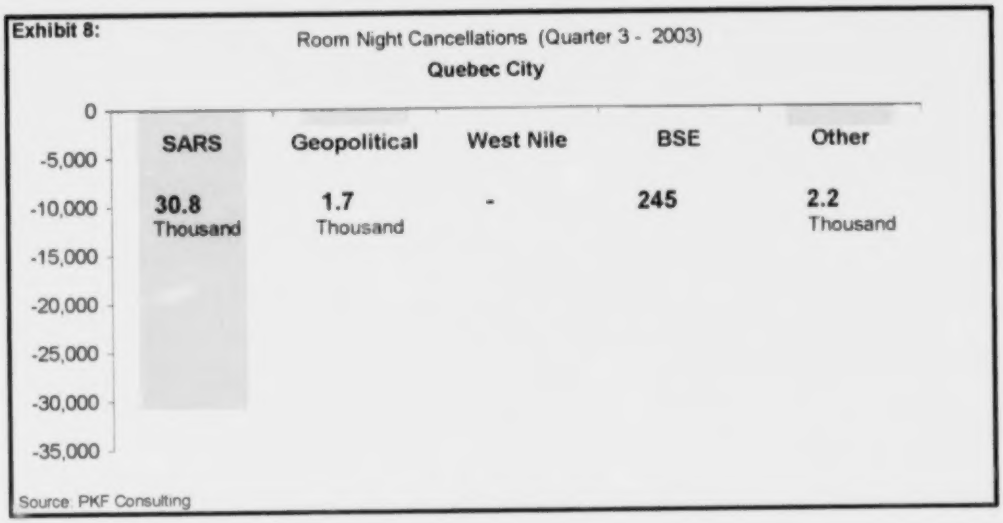
Exhibit 7:
ROOM CANCELLATIONS

	Quarter 3	Quarter 4
Greater Quebec City	34,942	14,078
Cancelled Room Nights *Due to SARS*	30,773 ***88%***	10,811 ***77%***
Cancelled Room Nights *Due to Geopolitical Reasons*	1,695 ***5%***	2,683 ***19%***
Cancelled Room Nights *Due to West Nile Virus*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to BSE*	245 ***1%***	120 ***1%***
Cancelled Room Nights *Due to Other Reasons*	2,229 ***6%***	465 ***3%***

Source: PKF Consulting

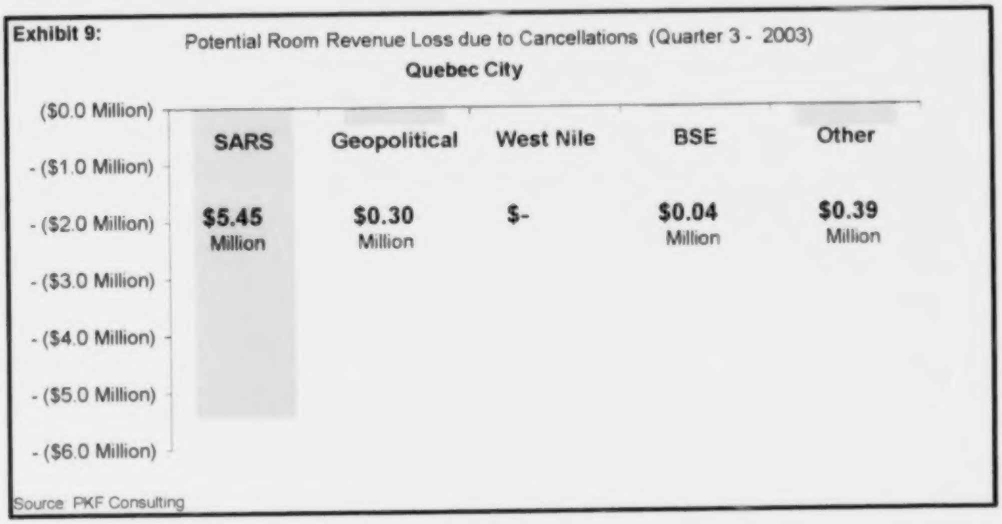
- Potential room revenue losses during **Quarter 4 2003** are not expected to be as devastating, with over **$1.8 million in cancelled business**, of which over $1.4 Million is attributable to SARS.

Exhibit 8:



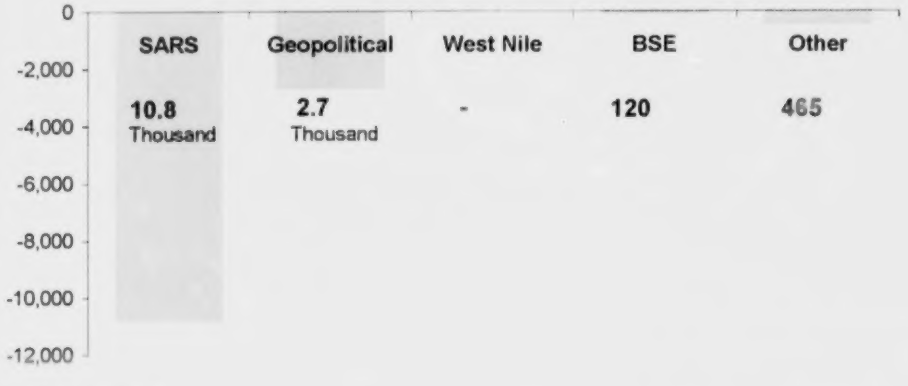
Source: PKF Consulting

Exhibit 9:



Source: PKF Consulting

Exhibit 10:

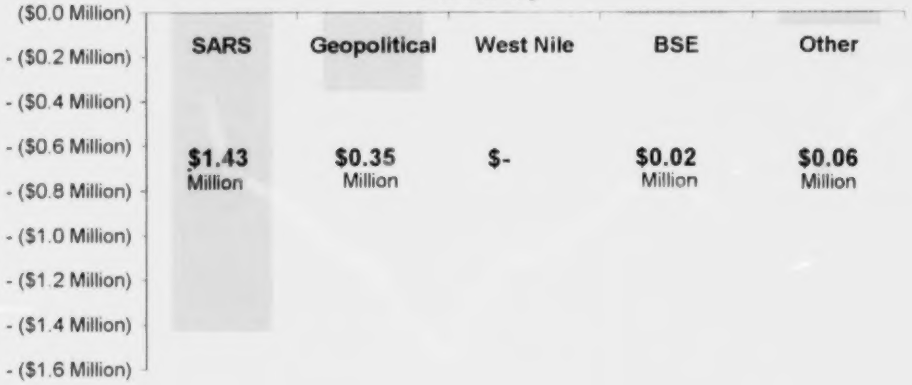


Room Night Cancellations (Quarter 4 - 2003)

Quebec City

Source: PKF Consulting

Exhibit 11:



Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)

Quebec City

Source: PKF Consulting

4.4 OTHER QUEBEC MARKETS

QUARTER 1 2003: RESULTS

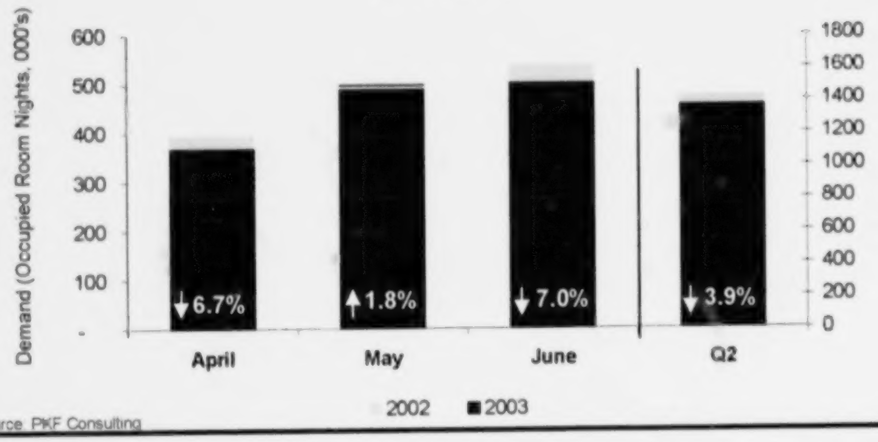
Hotel Supply Inventory

- Excluding the Greater Montreal Area and Quebec City, the balance of Quebec's accommodation market was 27,946 rooms in Quarter 2 2003 – a net increase of 30 guest rooms compared to Q2 2002.

Demand and Rate

- During Quarter 2 2003, the Other Quebec hotel market achieved a 54% occupancy at an average daily rate of $108. Occupancy levels were 2 points lower than Quarter 2 of last year, and the average daily rate was up by approximately $2.
- Demand for the Other Quebec accommodation market was **down by approximately 55,600 room nights or 3.9% in Quarter 2 2003**, as compared to Q2 2002.
- On a month-to-month basis, demand for room nights in Other Quebec fell by 6.7% in April, showed marginal improvements of 1.8% in May and declined by 7.0% in June.

Exhibit 1:



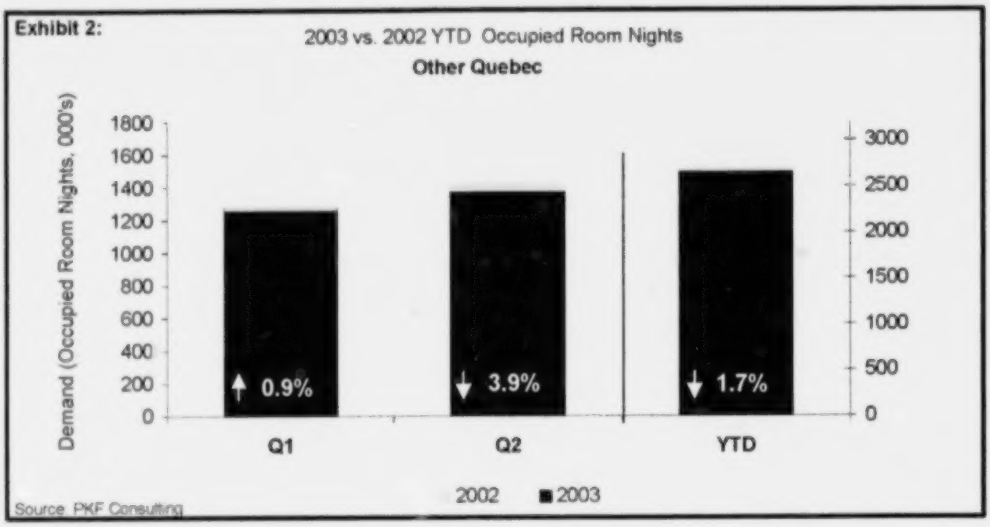
Quarter 2 2003 vs. 2002 Occupied Room Nights

Other Quebec

Source: PKF Consulting

- While demand was up by 0.9% at the end of Quarter 1, Quarter 2 results showed a decline of 3.9%, bringing **year-to-date results for 2003 1.7% below results achieved in the first half of 2002.**

Exhibit 2:


2003 vs. 2002 YTD Occupied Room Nights

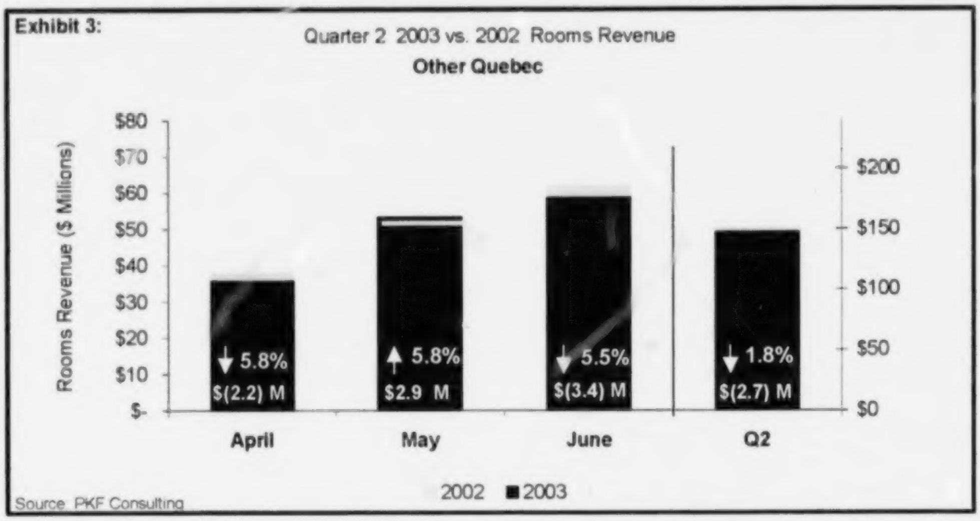
Other Quebec

Source: PKF Consulting

Room Revenue

- Room revenue in Other Quebec declined by 5.8% in April, rebounded in May posting a 5.8% increase, after which June resulted in another 5.5% decline in demand.
- Overall, Quarter 2 room revenue was down by $2.7 Million (1.8%) compared to the same period last year. However, given the region's positive Quarter 1, year-to-date room revenue is actually ahead by 1.8% – $2.7 Million above last year's results.

Exhibit 3:


Quarter 2 2003 vs. 2002 Rooms Revenue

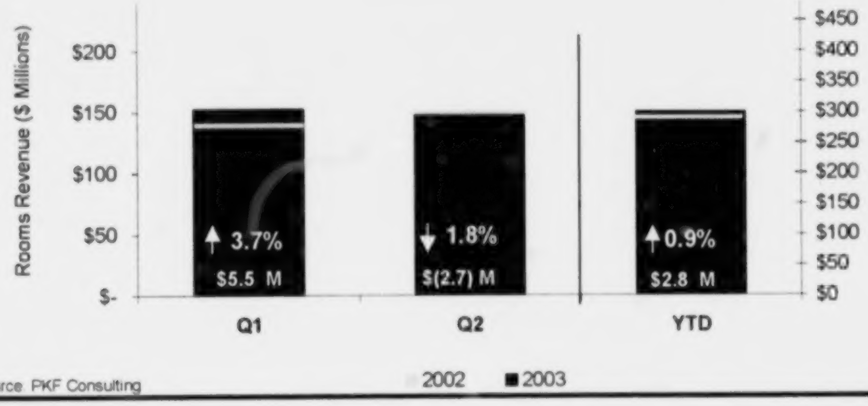
Other Quebec

Source: PKF Consulting

Exhibit 4:

2003 vs. 2002 YTD Rooms Revenue

Other Quebec



Source PKF Consulting

5.0 ONTARIO PROVINCIAL/MARKET PERFORMANCE

5.1 PROVINCE OF ONTARIO

QUARTER 1 2003: RESULTS

Total Provincial Supply Inventory

- Including the major markets of Toronto, Ottawa and Windsor, the Ontario accommodation supply averaged 107,171 rooms in Quarter 2 2003 – a 1.7% increase over the same period in 2002, due to the addition of 1,810 new rooms in the Province of Ontario.

Provincial Demand and Rate

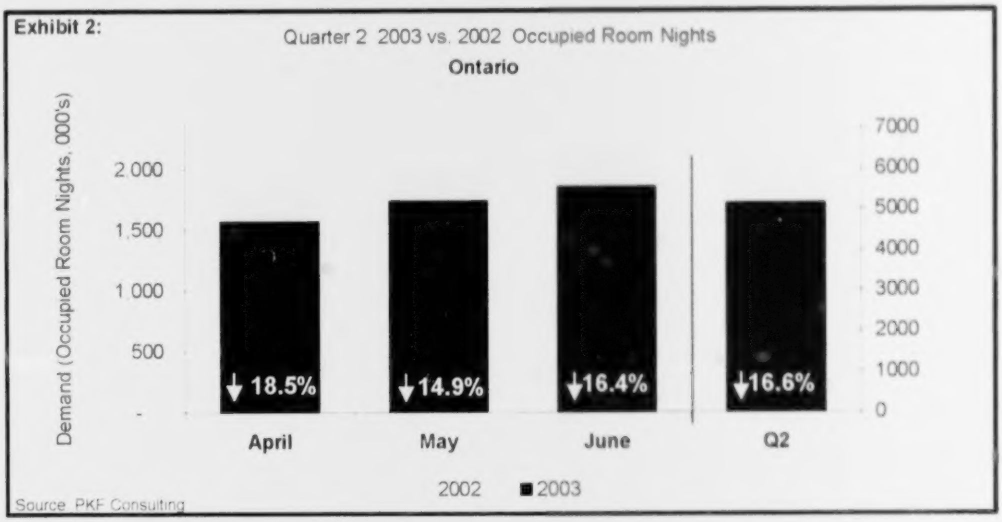
- During Quarter 1 2003, Ontario's hotel market achieved a 53% occupancy at an average daily rate of $109. Occupancy levels nose-dived by 12 percentage points compared to Quarter 2 2002, while the average daily rate tumbled by 10% to $109.
- Demand for Ontario's hotels **fell by over 1 Million room nights or 16.6% in Quarter 2 2003**, as compared to Q2 2002.
- On a month-to-month basis, demand for room nights in Ontario decreased by 18.5% in April, a further 14.9% in May and 16.4% in June in comparison to last year.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2- 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Greater Toronto Area	48%	$117	68%	$136	-13%	-9%
Ottawa	68%	$126	70%	$128	0%	-2%
Ontario Resorts	40%	$160	49%	$168	-15%	-5%
Southern Ontario	54%	$100	60%	$104	-9%	-4%
Eastern Ontario	54%	$93	61%	$92	-10%	1%
Northern Ontario	62%	$83	64%	$82	-2%	2%
Total Ontario	**53%**	**$109**	**65%**	**$121**	**-17%**	**-10%**

Source: PKF Consulting

Exhibit 2:



Source: PKF Consulting

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- Demand for Ontario's hotels **fell by over 1 Million room nights or 16.6% in Quarter 2 2003**, as compared to Q2 2002.
- On a month-to-month basis, demand for room nights in Ontario decreased by 18.5% in April, a further 14.9% in May and 16.4% in June in comparison to last year.

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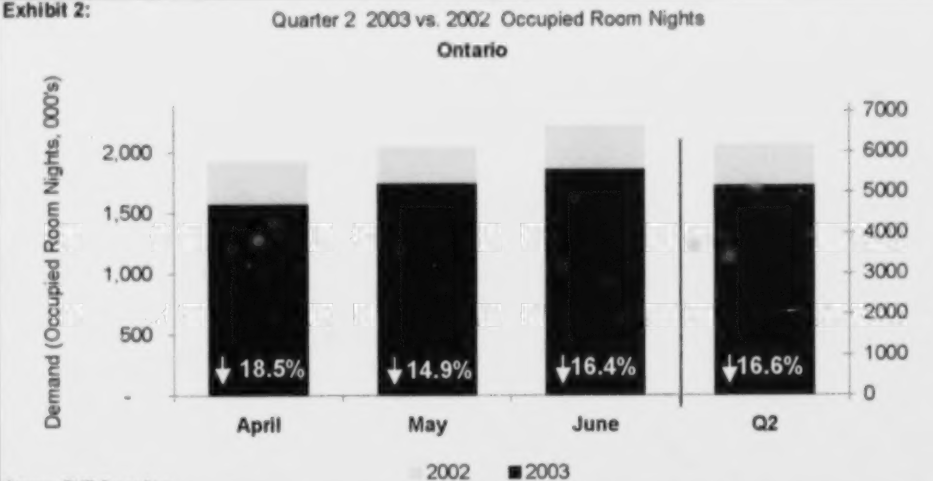
Total Ontario	**53%**	**$109**	**65%**	**$121**	**-17%**	**-10%**

Source: PKF Consulting

Exhibit 2:

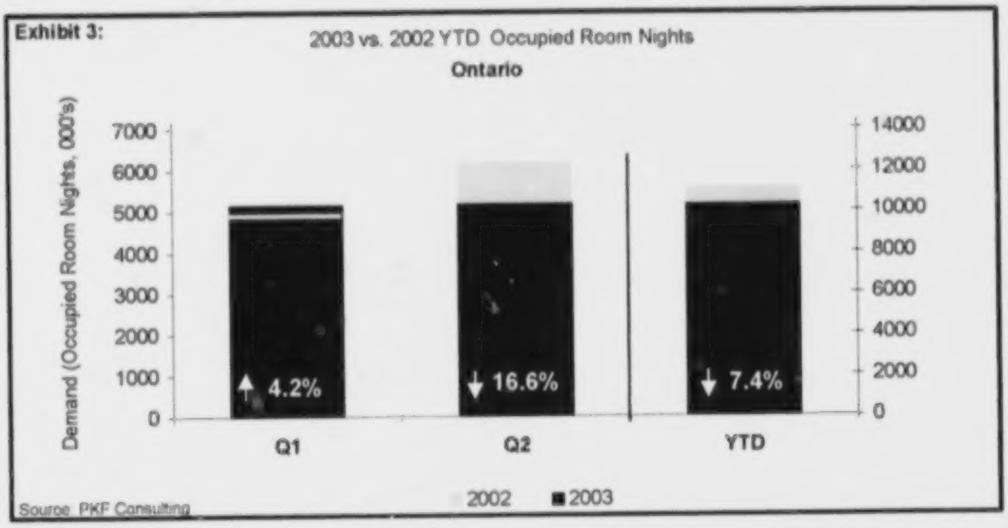


Quarter 2 2003 vs. 2002 Occupied Room Nights
Ontario

Source: PKF Consulting

- While demand was up by 4.2% at the end of Quarter 1, Quarter 2 results showed a decline of 16.6%, bringing **year-to-date results for 2003 7.4% below results achieved in the first half of 2002.**

Exhibit 3:



Source: PKF Consulting

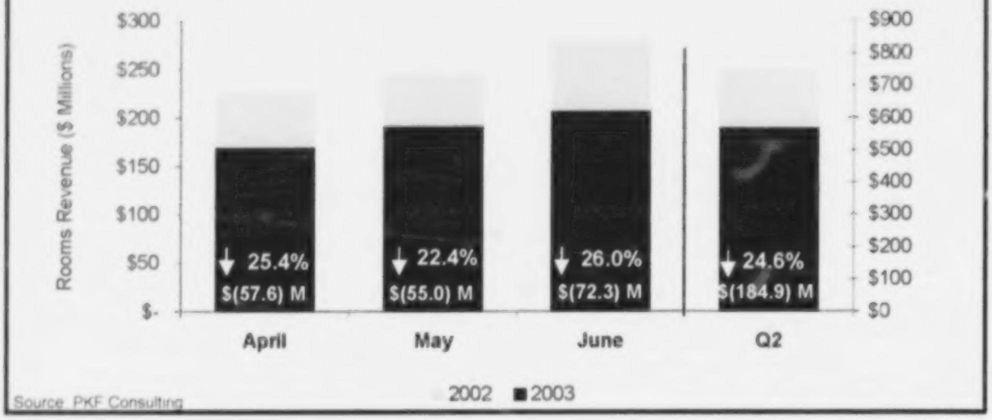
Room Revenue

- In each month of Quarter 2, the Province of Ontario consistently lost over one-quarter of the room revenues achieved last year. The Province's accommodation sector lost an estimated $58 Million in April, $55 Million in May and $72 Million in June – in room revenues alone.

- Overall, Quarter 2 room revenue was down by $185 Million (24.6%) compared to the same period last year. Although the Province started the year on solid footing, Quarter 2 losses have placed the sector 12.4% behind last year's results, equating to a loss of $160.3 Million in room revenue.

Exhibit 4:

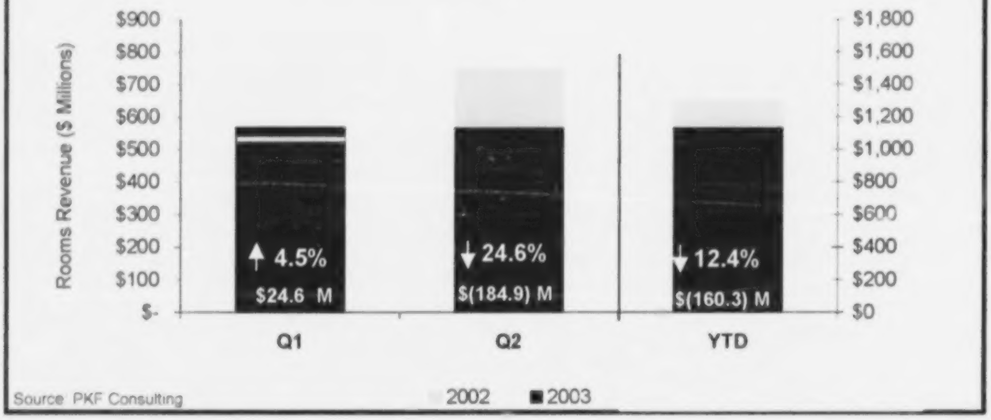
Quarter 2 2003 vs. 2002 Rooms Revenue
Ontario



Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue
Ontario



Source: PKF Consulting

5.2 GREATER TORONTO AREA

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Greater Toronto Area averaged 37,059 rooms – a 2.6% increase over the same period in 2002, with the addition of 938 rooms.
- Approximately 603 rooms were added to the GTA West market and 496 rooms were added to the GTA North/East markets, while the Toronto Airport market experienced a reduction of 185 rooms, due to renovation closures and there has been minimal change to the downtown Toronto market.

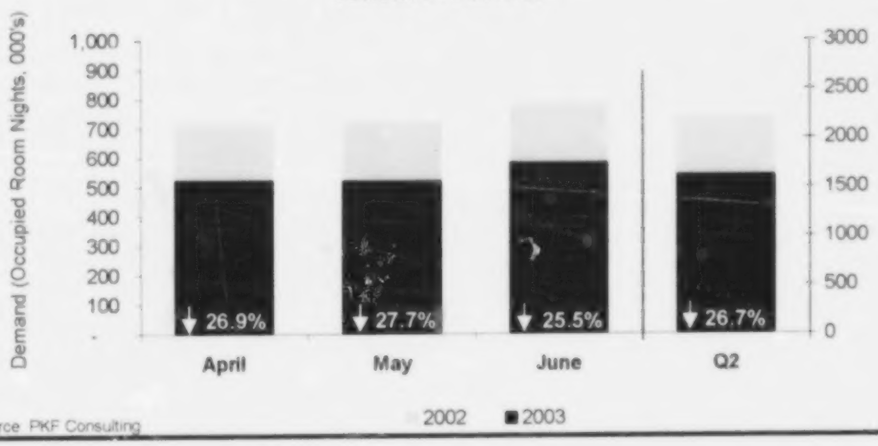
Demand

- During Quarter 2, the Greater Toronto Area hotel market achieved a 48% occupancy at an average daily rate of $117, in comparison to Q2 of last year which was 68% at $136.
- Demand for GTA hotels **dropped off by approximately 592,200 room nights or 26.7% in Quarter 2 2003**, as compared to the second quarter of 2002.
- GTA's accommodation sector was consistently down by over 25% in demand each month of the second quarter.

Exhibit 1:

Quarter 2 2003 vs. 2002 Occupied Room Nights

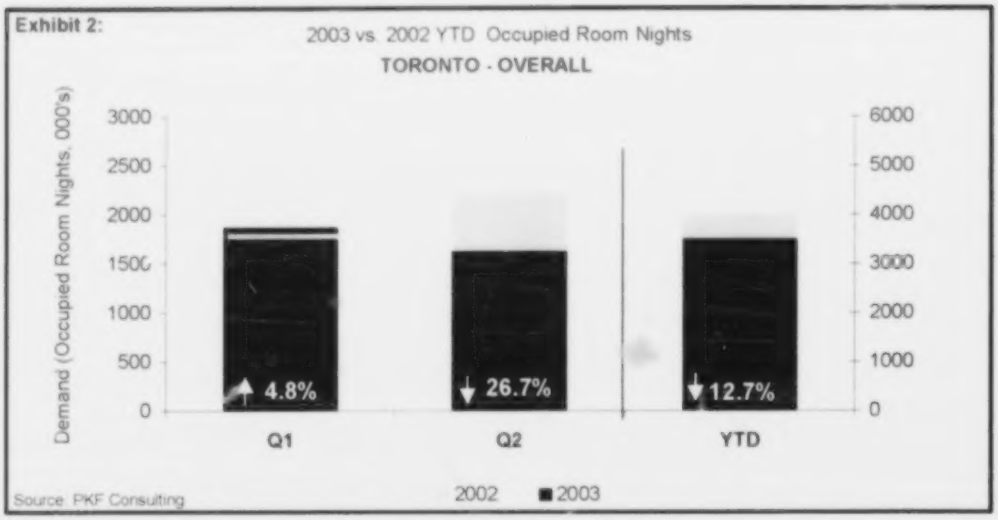
TORONTO - OVERALL



Source: PKF Consulting

- Although GTA hotels were ahead by 4.8% in demand by the end of Quarter 1, the situation quickly reversed itself in Quarter 2, with a 27% decline in demand levels. As such, the year-to-date results for 2003 are approximately 13% below results achieved in the first half of 2002.

Exhibit 2:

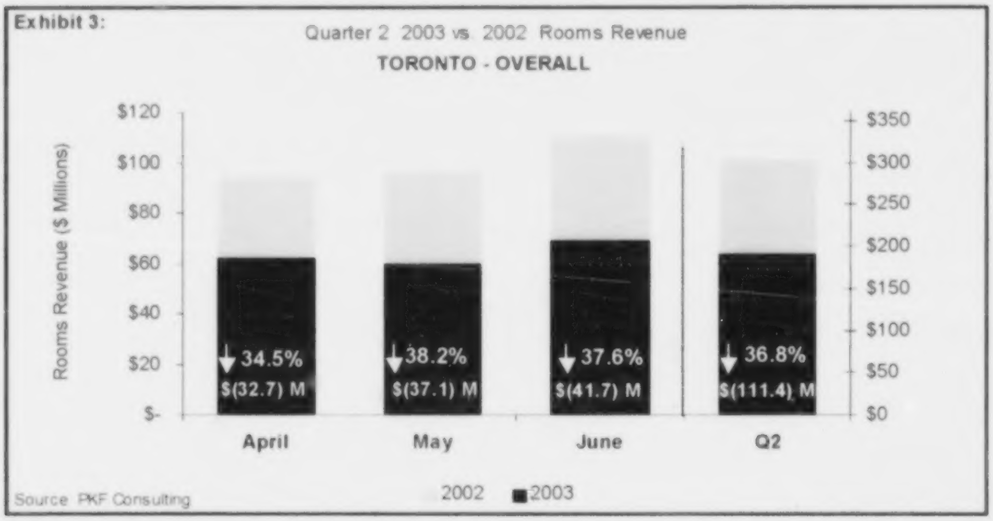


Source: PKF Consulting

Room Revenue

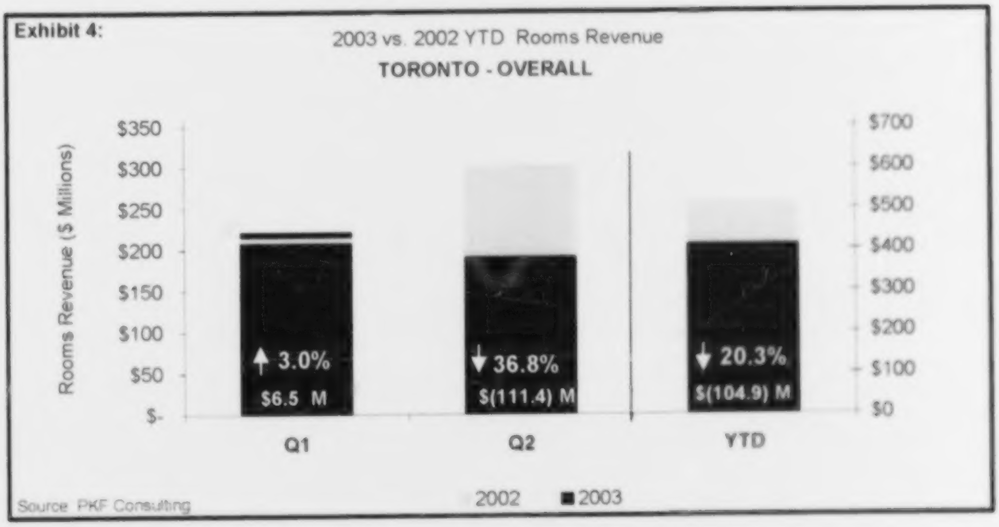
- As the 2nd Quarter unfolded, GTA hotels suffered increasing losses in room revenue -- $32.7 Million in April, $37.1 Million in May and $41.7 Million in June – 35 to 38% below results achieved the previous year.
- Notwithstanding gains made in Quarter 1, the Quarter 2 loss of over $111 Million in room revenue has resulted in a year-to-date loss of approximately $105 Million across the GTA accommodation sector.

Exhibit 3:



Source: PKF Consulting

Exhibit 4:



Source: PKF Consulting

Budgets and PKF Outlook

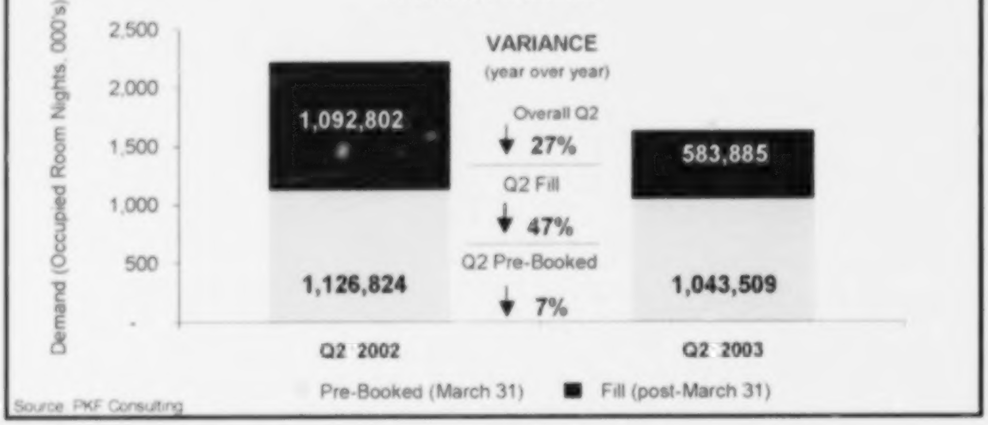
- According to our PKF Outlook for the GTA hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 66% occupancy at an average daily rate of $139 in Quarter 2 2003.
- In preparing their operating budgets at the beginning of the year, GTA hoteliers expected to achieve exceed PKF's occupancy forecast– 69% occupancy at a slightly lower rate of $138 ADR – by the end of the second quarter.
- Based on actual results, the industry missed their budgets by 21 percentage points in occupancy, and by $21 (15%) in rate in Quarter 2 2003.

Pre-Booked Business and Fill Rate

- As of March 31st, GTA hoteliers had pre-booked close to 1.043 million room nights for the upcoming months of April, May and June – 7% less room nights than were pre-booked over the same time frame last year.
- Last year, over 1.1 Million room nights were booked during Quarter 2. This year, the fill rate never transpired – with guests booking only 584,000 room nights during the quarter – 47% less than last year.
- With the fear of SARS hanging over the city, guests were very reluctant to visit the GTA during Quarter 2.

Exhibit 5:

Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
TORONTO - OVERALL



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The GTA hotel industry attributed the overwhelming majority of decreased demand in Quarter 2 to SARS (74%), with local, regional, national and economic conditions at 13%.
- The segment responsible for the largest demand decrease was meetings and convention business at 29%, followed by corporate travel at 26% and group leisure travel at 22%. City-wide conventions, such as the American Association for Cancer Research, CoreNet Global, Society for Vascular Surgery, American Society of Echocardiography, and the International Air Transport Association were all lost in Quarter 2 due to SARS.
- A drop off in US travel was cited as a major factor in the loss in business at 51%, with domestic travel at 29% and international travel at 20%.
- Based on the hotel guest's primary mode of transportation used to arrive in the GTA, 45% of the loss in Quarter 2 was attributable to a decline in air traffic, with an equal amount due to a drop off in automobile traffic.

Results by Toronto's SUB-MARKETS

- From a sub-market perspective, the strongest fall off in Quarter 2 demand levels was experienced amongst downtown Toronto's hotels, which endured a 35% decline in rooms sold over last year. Toronto Airport properties were down by 25% in demand, while hotels in the Toronto East/North market were off by 22%, and GTA West properties were down by 14%.
- Of the GTA's four sub markets, Quarter 2 2003 booking patterns were off the most amongst the Toronto Airport and GTA West properties. As of March 31, 2003, these hotels had pre-booked 12 to 13% fewer room nights going into the quarter, than the previous year. Conversely, booking patterns amongst Toronto's downtown hotels were off by 7% going into Q2, while the Toronto North/East booking patterns for Q2 were in line with last year.

- With the onset of SARS in March 2003, Downtown Toronto Hotels (representing about 41% of the total GTA hotel inventory) recorded a $82.2 Million loss in room revenue during Quarter 2 – a 47% deterioration from last year's results. Close to ¾'s of the total Q2 room revenue losses in the GTA were experienced by downtown properties.

- The second hardest hit market in Quarter 2 was the Toronto Airport market (representing 5,368 rooms), which suffered an estimated $12 Million loss in room revenues.

- The Toronto East/North market, with an inventory of 8,441 rooms, reported a loss of $10.7 Million in room revenue – 23% below last year's results.

- The GTA West market comprises 8,054 rooms or 22% of GTA's total hotel inventory. This market reported $6.5 Million in room revenues losses, a 15% decline from Q2 results last year.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 811,000 room nights or **33%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **539,000 room nights** of business was pre-booked for Quarter 3– which means that over **272,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.

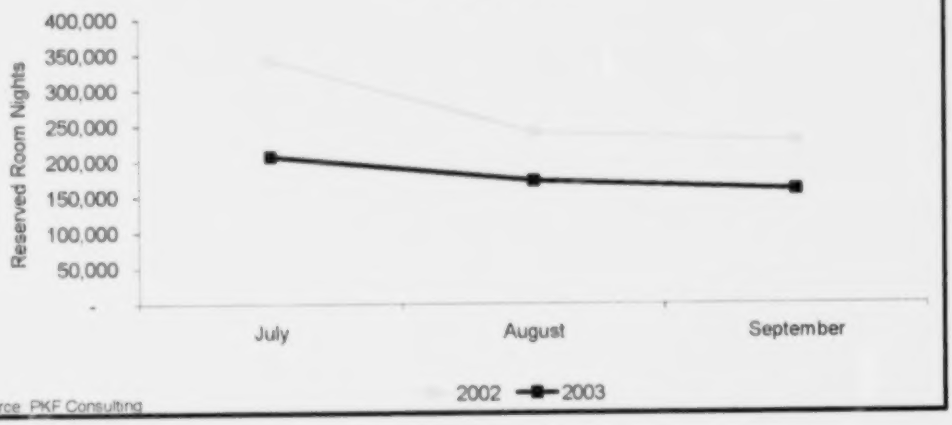
- This year's **Quarter 3 booking pace is down by 34%** in comparison to last year, which is far worse than the period heading into Quarter 2, when the pace was off by 7%.

- Looking ahead to the summer months, unless there is a significant pick up in the last minute fill rate, Quarter 3 demand is also expected to be considerably down from last year.

Exhibit 6:

Room Booking Pace (Quarter 3 - 2003 vs. 2002)

TORONTO - OVERALL



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

- The GTA hotel industry reported over 130,500 room cancellations during Quarter 3 2003, with a further 48,300 cancelled in Quarter 4. This represents over 5% of last year's Quarter 3 results and 2% of the Quarter 4 results.

- 1-in-every-2 room cancellations for Q 3 & 4 were with Toronto Downtown hotels.

- Over 80% of the cancellations were attributable to fears associated with SARS.

- In Quarter 3 2003, the **potential room revenue** loss due to room cancellations in the GTA market is estimated at **$17.5 Million,** of which $14.4 Million is attributable to SARS. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.

- Potential room revenue losses during **Quarter 4 2003** are pegged at **$6.1 Million in cancelled business**, of which over $5.2 Million is attributable to SARS.

Exhibit 7:
ROOM CANCELLATIONS

GTA Markets	Quarter 3	Quarter 4
Toronto Downtown	74,838	17,737
Toronto Airport	3,389	381
Toronto North/East	14,304	5,268
Toronto West	38,040	24,958
Greater Toronto Area	**130,571**	**48,344**
Cancelled Room Nights *Due to SARS*	107,915 ***82%***	41,253 ***85%***
Cancelled Room Nights *Due to Geopolitical Reasons*	7,128 ***5%***	1,866 ***4%***
Cancelled Room Nights *Due to West Nile Virus*	957 ***1%***	395 ***1%***
Cancelled Room Nights *Due to BSE*	2,566 ***2%***	460 ***1%***
Cancelled Room Nights *Due to Other Reasons*	12,724 ***10%***	4,370 ***9%***

Source: PKF Consulting

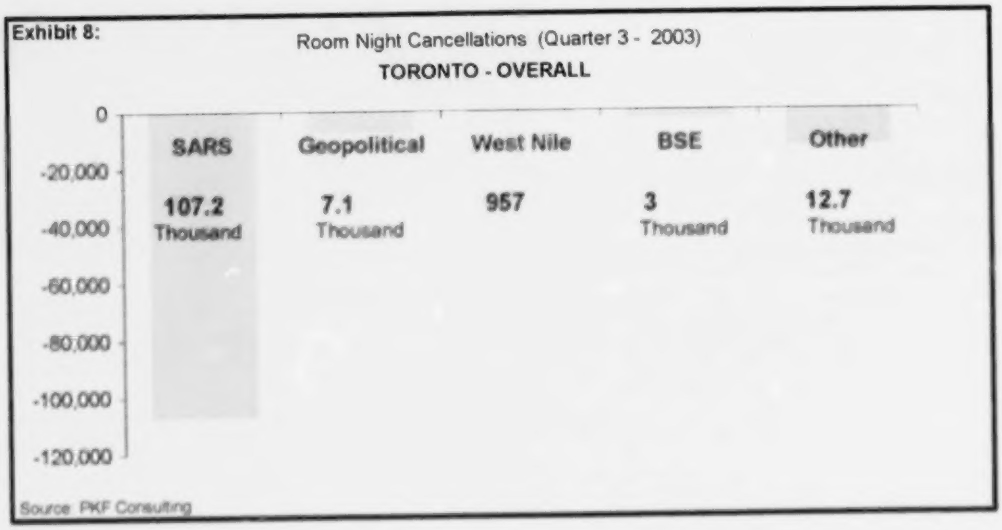


Exhibit 8:

Room Night Cancellations (Quarter 3 - 2003)
TORONTO - OVERALL

Source: PKF Consulting

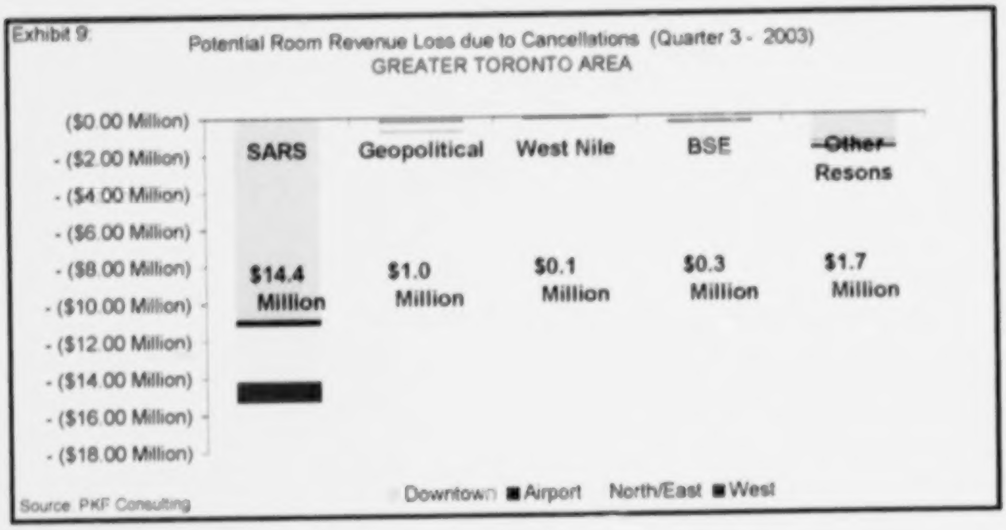


Exhibit 9:

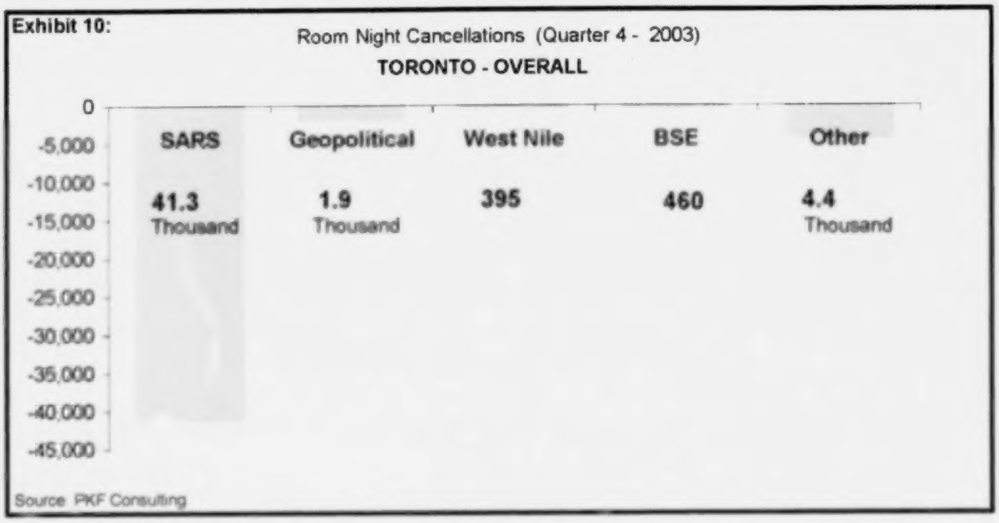
Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)
GREATER TORONTO AREA

Source: PKF Consulting

Exhibit 10:

Room Night Cancellations (Quarter 4 - 2003)

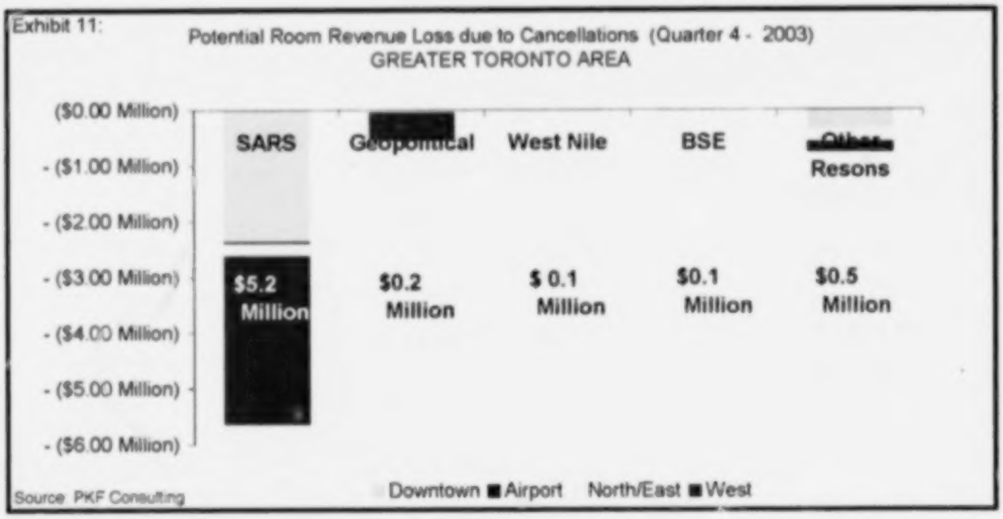
TORONTO - OVERALL



Source PKF Consulting

Exhibit 11:

Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)
GREATER TORONTO AREA



Source PKF Consulting

5.3 OTTAWA

QUARTER 2 2003: RESULTS

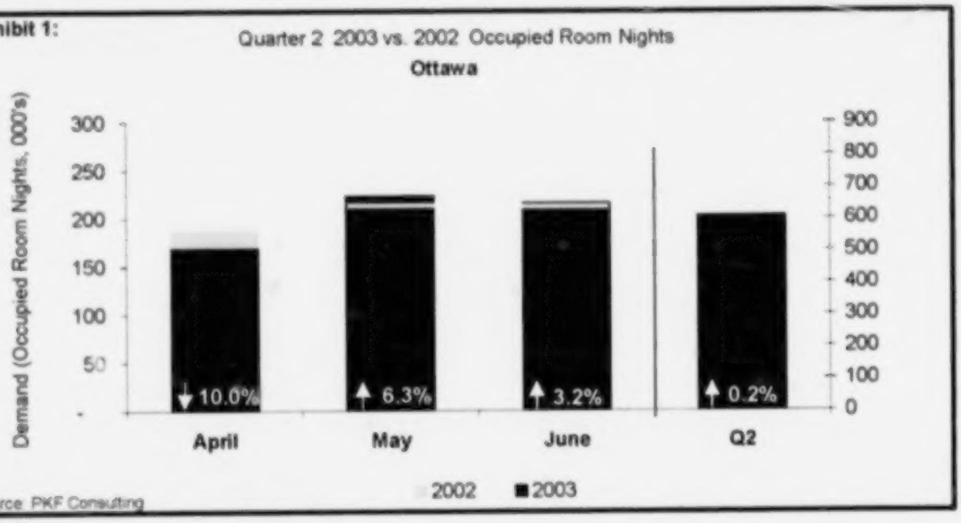
Hotel Supply Inventory

- The Ottawa accommodation inventory was comprised of 9,894 rooms in Quarter 2 2003– a 3.8% increase over the same period in 2002, with the addition of 362 rooms.

Demand

- During Quarter 2, the Ottawa hotel market achieved a 68% occupancy at an average daily rate of $126.
- Ottawa was one of the few markets were demand improved in Quarter 2 by **approximately 940 room nights or 0.2%**, as compared to the second quarter of 2002.
- While April experienced a 10% decline in demand, improvements were made in both May and June.

Exhibit 1:



Quarter 2 2003 vs. 2002 Occupied Room Nights

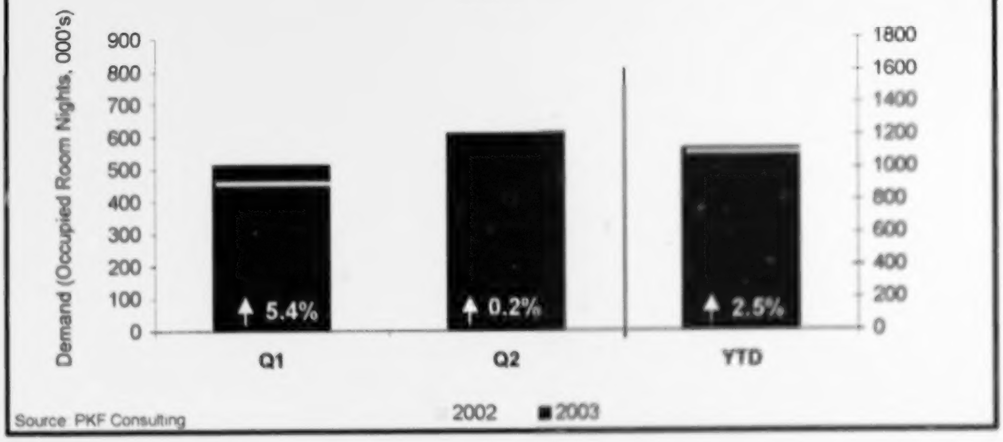
Ottawa

Source: PKF Consulting

- With Quarter 1 demand levels up by 5.4% in Ottawa, and any loss of demand in April offset by positive gains in May and June, year-to-date results for 2003 are running 2.5% ahead of results achieved in the first half of 2002.

Exhibit 2:

2003 vs. 2002 YTD Occupied Room Nights
Ottawa



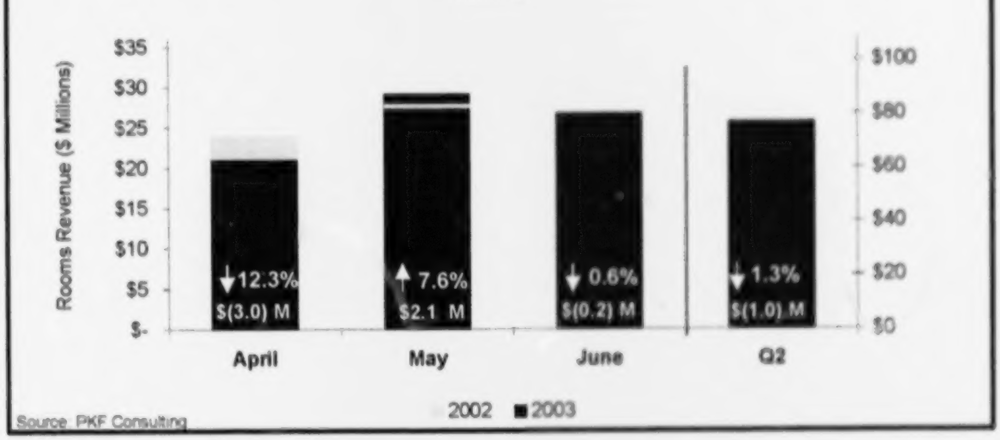
Source: PKF Consulting

Room Revenue

- Ottawa initially bore a loss of $3 Million in room revenue during the month of April, but rebounded in May posting a gain of $2.1 Million, with revenues only off by $152,000 in June, in comparison to last year.
- Year-to-date room revenue is actually ahead by $3.7 Million (1.3%), largely due to a strong 1st Quarter performance.

Exhibit 3:

Quarter 2 2003 vs. 2002 Rooms Revenue
Ottawa

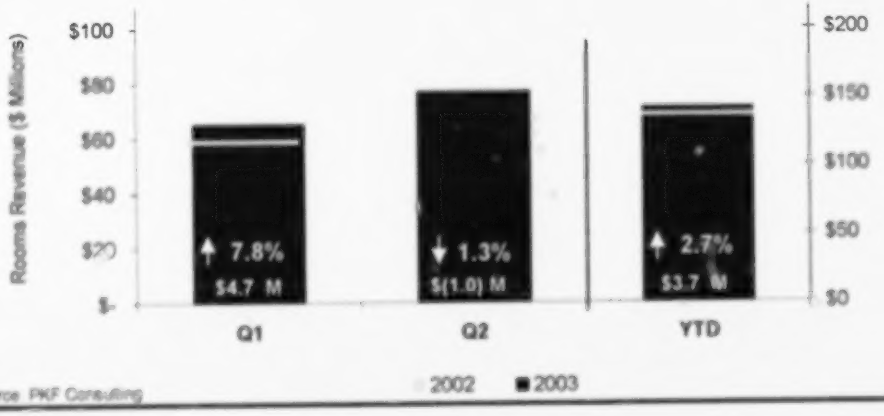


Source: PKF Consulting

Exhibit 4:

2003 vs. 2002 YTD Rooms Revenue

Ottawa



Source: PKF Consulting

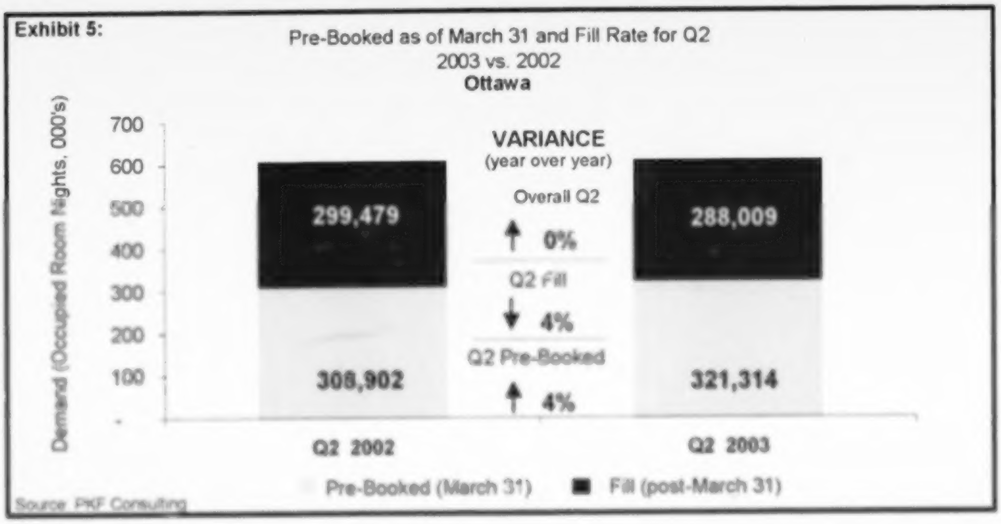
Budgets and PKF Outlook

- According to our PKF Outlook for the Ottawa hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 69% occupancy at an average daily rate of $131 in Quarter 2 2003.
- In preparing their operating budgets at the beginning of the year, Ottawa hoteliers expected to achieve slightly lower results to the PKF Outlook – 68% occupancy at a $128 ADR – by the end of the second quarter.
- Based on actual results, the industry achieved their budget in terms of occupancy, but missed their rate forecast by $2 in Quarter 2 2003.

Pre-Booked Business and Fill Rate

- As of March 31st, Ottawa hoteliers had pre-booked close to 321,300 room nights for the upcoming months of April, May and June – 4% more room nights than were pre- booked over the same time frame last year.
- The fill rate for the Ottawa market was off by 4%, with 11,500 fewer room nights sold between April 1 and June 30, than during the same period last year.
- Although the amount of pre-booked business was up 4%, the corresponding 4% downside in fill rate for the quarter resulted in flat demand levels year-over-year.

Exhibit 5:



Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
Ottawa

Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

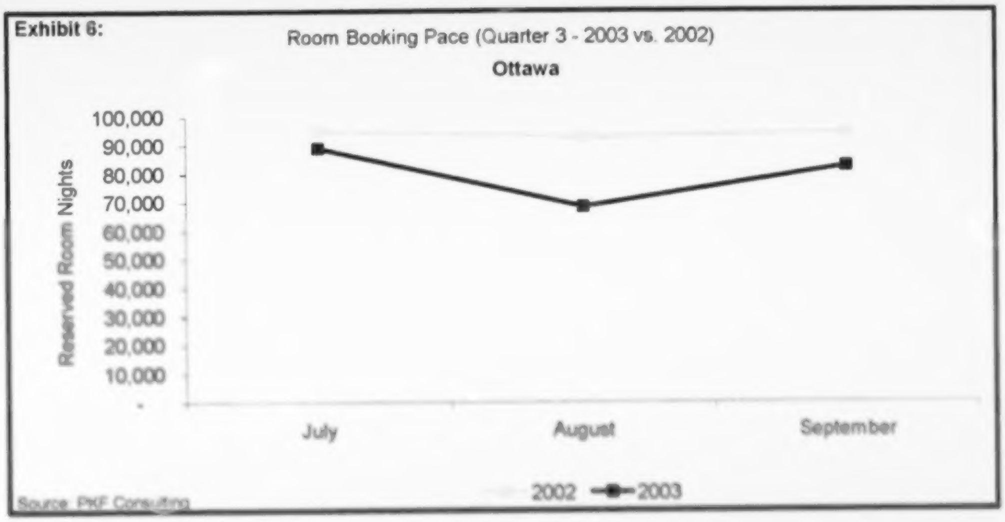
- The Ottawa hotel industry was up by approximately 940 room nights in Q2, with hoteliers crediting most of their increased demand to local, regional, national and economic conditions (44%).
- The segments responsible for the largest demand increase were independent leisure and meetings and convention travel.
- Furthermore, the industry cited an increase in domestic travellers as the leading demand generator.
- Based on the hotel guest's primary mode of transportation used to arrive in Ottawa, hoteliers attributed 50% of the Q2 increase to air travellers and 45% to the rubber tire market.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 282,000 room nights or **46%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **240,000 room nights** of business was pre-booked for Quarter 3– which means that **42,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.
- This year's **Quarter 3 booking pace is down by 15%** in comparison to last year, which is a reversal of the period heading into Quarter 2, when the pace was ahead by 4%.
- Looking ahead to the summer months, unless the infill picks up, Quarter 3 demand is expected to be flat.

Exhibit 6:



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

- The Ottawa hotel sector report over 5,830 room cancellations during Quarter 3 2003, with a further 460 cancellations in Quarter 4. This represents 1% of last year's Quarter 3 results, with minimal impacts in Q4.

- According to hotel operators, the vast majority of Q3 room cancellations were attributable to SARS (84%).

- The **potential room revenue** loss due to room cancellations in the Ottawa market is estimated at **$715,000 in Q3**, of which **$603,000 is attributable to SARS**. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.

- Potential room revenue losses during **Quarter 4 2003** are expected to be much less with **$57,000 in cancelled business**, all of which is attributable to "other" reasons.

Exhibit 7:
ROOM CANCELLATIONS

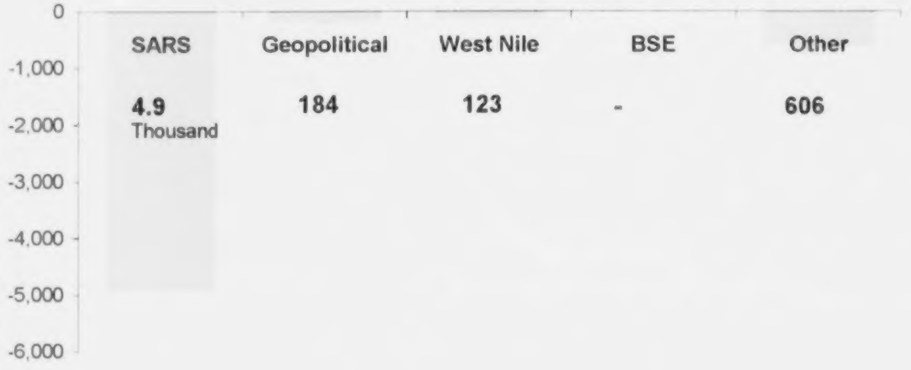
	Quarter 3	Quarter 4
Ottawa	5,833	460
Cancelled Room Nights *Due to SARS*	4,920 *84%*	0 *0%*
Cancelled Room Nights *Due to Geopolitical Reasons*	184 *3%*	0 *0%*
Cancelled Room Nights *Due to West Nile Virus*	123 *2%*	0 *0%*
Cancelled Room Nights *Due to BSE*	0 *0%*	0 *0%*
Cancelled Room Nights *Due to Other Reasons*	606 *10%*	460 *100%*

Source: PKF Consulting

Exhibit 8:

Room Night Cancellations (Quarter 3 - 2003)

Ottawa

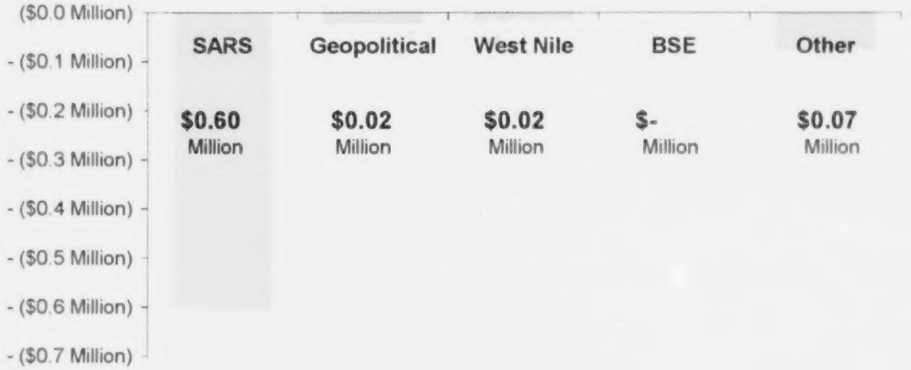


Source: PKF Consulting

Exhibit 9:

Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)

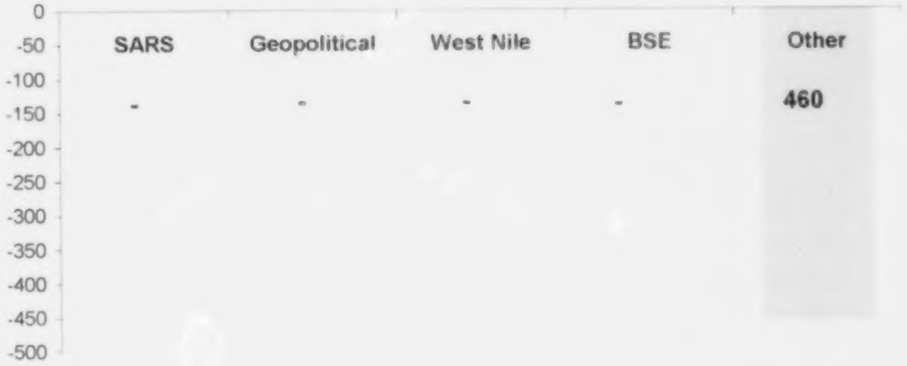
Ottawa



Source: PKF Consulting

Exhibit 10:

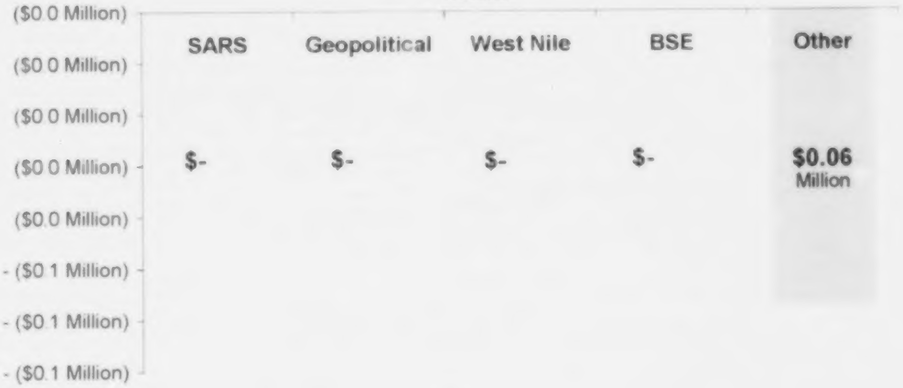
Room Night Cancellations (Quarter 4 - 2003)
Ottawa



Source PKF Consulting

Exhibit 11:

Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)
Ottawa



Source PKF Consulting

5.4 WINDSOR

QUARTER 2 2003: RESULTS

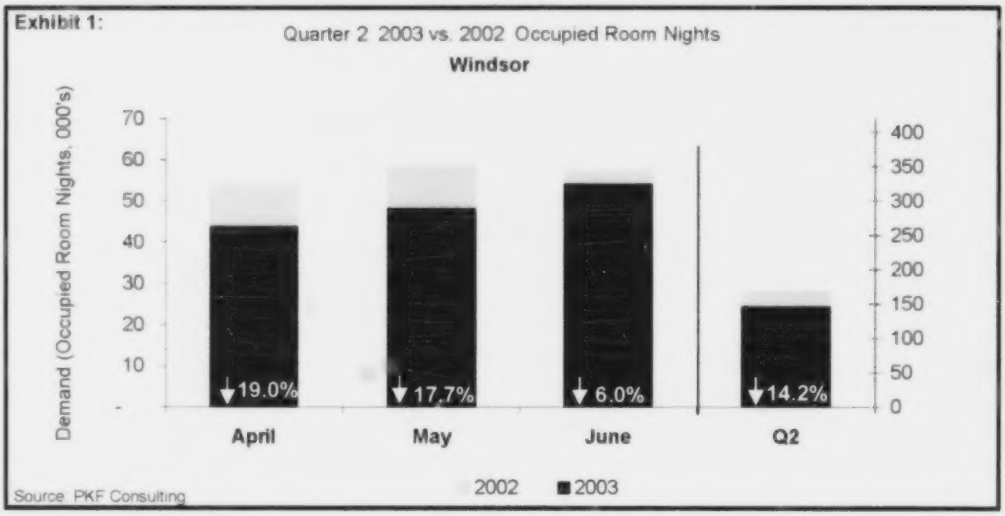
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Windsor hotel market was 2,725 rooms – flat from the year prior.

Demand

- During Quarter 2, the Windsor hotel market achieved a 59% occupancy at an average daily rate of $104.
- Demand for Windsor hotels **decreased by approximately 24,100 room nights or –14.2% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the industry was down by 19.0% in demand in April, followed by a decline of 17.7% in May and a further decline of 6.0% in June.

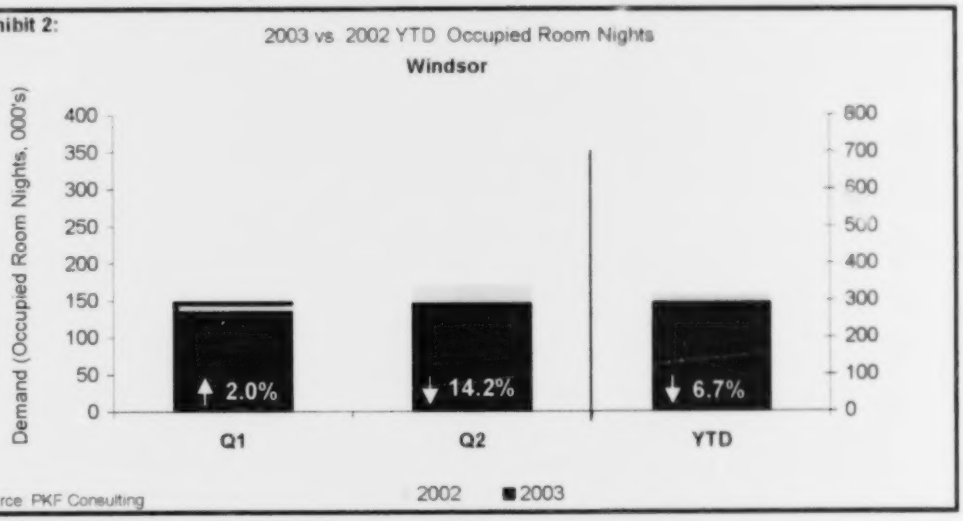
Exhibit 1:



Source: PKF Consulting

- Although Quarter 1 demand levels were up by 2.0%, Quarter 2's losses have meant year-to-date results are 6.7% below results achieved in the first half of 2002.

Exhibit 2:

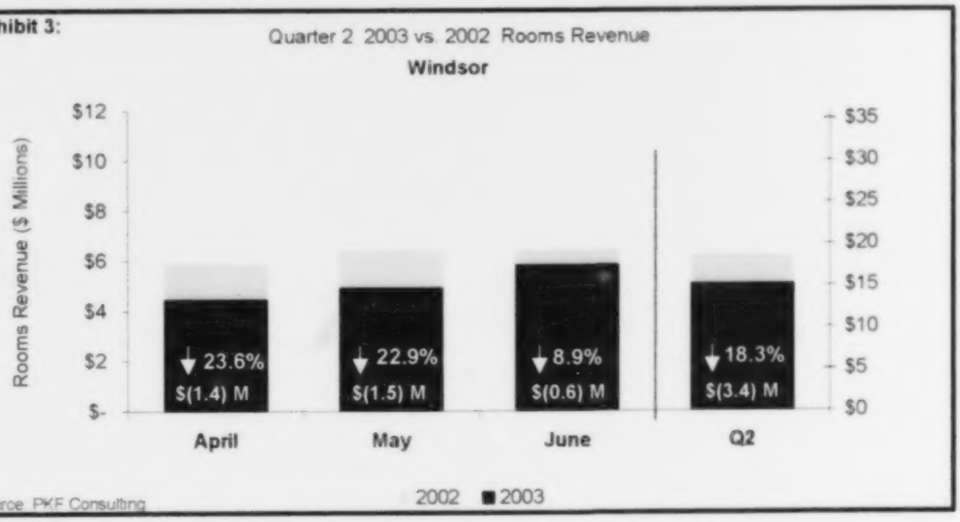


Source PKF Consulting

Room Revenue

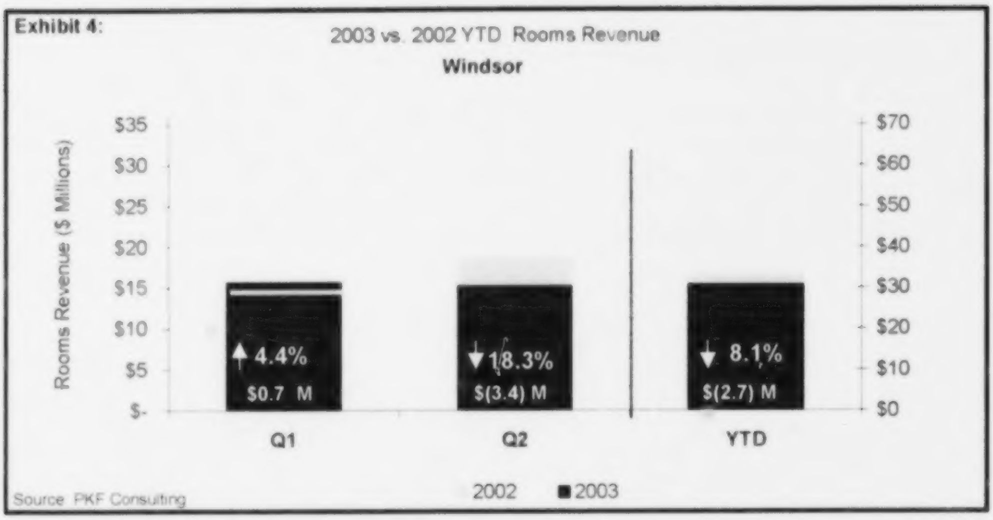
- Windsor suffered a loss of $1.38 Million in room revenue during the month of April, which was duplicated in May with a $1.46 Million loss. Although still behind last year, June's losses of $573,000 were not as large as the 1st two months of the quarter.
- Overall Quarter 2 room revenue was down by 18.3%, with year-to-date room revenue behind by $2.7 Million (8.1%), due to the strength of the 1st Quarter performance.

Exhibit 3:



Source PKF Consulting

Exhibit 4:


2003 vs. 2002 YTD Rooms Revenue
Windsor

Source PKF Consulting

Budgets and PKF Outlook

- According to our PKF Outlook for the Windsor hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 70% occupancy at an average daily rate of $112 in Quarter 2 2003.

- In preparing their operating budgets at the beginning of the year, Windsor hoteliers were not as optimistic as the PKF Outlook, forecasting a 67% occupancy at a $111 ADR by the end of the second quarter.

- Based on actual results, the industry missed their budgets by 8 percentage points in occupancy, and by $7 in rate in Quarter 2 2003.

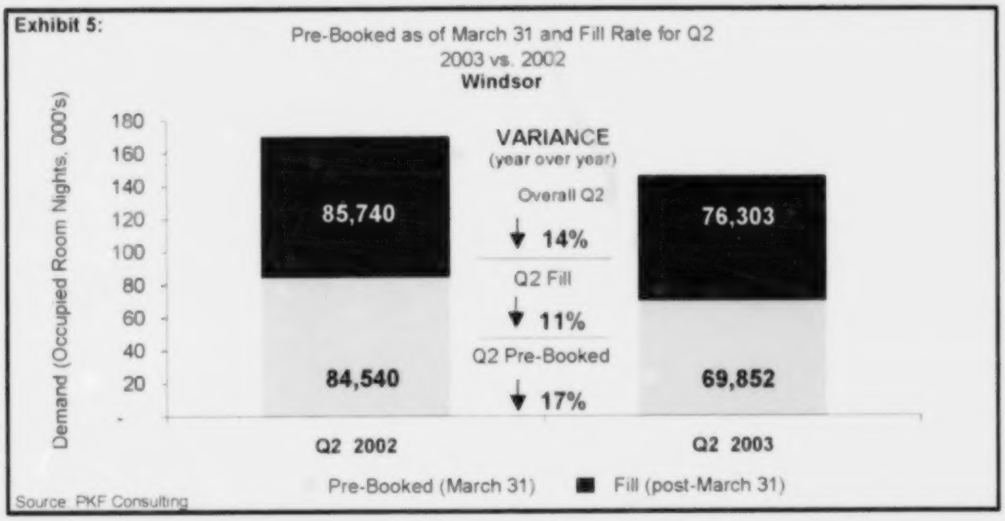
Pre-Booked Business and Fill Rate

- As of March 31st, Windsor hoteliers had pre-booked close to 70,000 room nights for the upcoming months of April, May and June – 17% fewer room nights than were pre-booked over the same time frame last year.

- The fill rate for the industry also declined by 11% this quarter, with just over 76,000 room nights sold between April 1 and June 30, as opposed to 86,000 last year.

- SARS and geopolitical factors not only impacted pre-booking patterns, but also the fill rate for the 2nd quarter.

Exhibit 5:



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Windsor hotel industry attributed most of their decreased demand in Quarter 2 2003 to geopolitical factors (42%) and SARS (39%).

- The segment responsible for the largest demand decrease was meetings and convention travel at 43% and group leisure travel at 26%.

- Given its border location, the industry cited a decline in US travel as the main reason for the loss in business at 70%.

- Based on the hotel guest's primary mode of transportation used to arrive in Windsor, close to 2/3rd's of the loss in Quarter 2 was attributable to a decline in automobile traffic, with a further 24% attributable to a loss in airline travellers.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

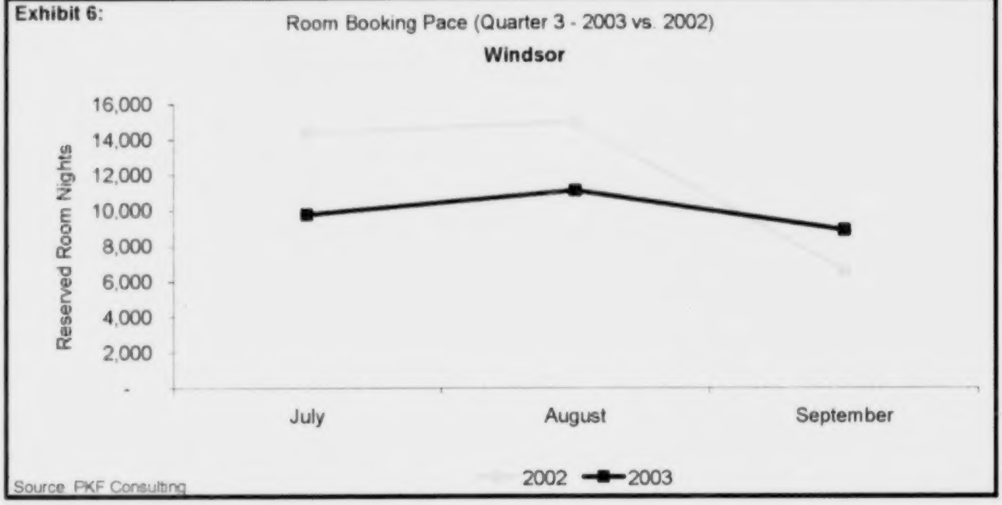
Booking Patterns

- As of June 30, 2002, 36,000 room nights or **21%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **30,000 room nights** of business was pre-booked for Quarter 3– which means that an estimated **6,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.

- This year's **Quarter 3 booking pace is down by 17%** in comparison to last year, the same pace as Windsor had heading into Quarter 2.

- On an encouraging note, business on the books for September 2003, is 34% ahead of last year's bookings for the same month.

Exhibit 6:



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

- The Windsor hotel sector reported over 2,600 room cancellations during Quarter 3 2003, with a further 1,900 cancelled in Quarter 4. This represents 1.5% of last year's Quarter 3 results and 1% of the Quarter 4 results.
- According to hotel operators, 60% of room cancellations were attributable to SARS, with the balance due to geopolitical reasons (40%).
- In Quarter 3 2003, the **potential room revenue** loss due to room cancellations in the market is estimated at **$281,000**, of which **$169,000 is attributable to SARS** and a further $112,000 to geopolitical reasons. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.

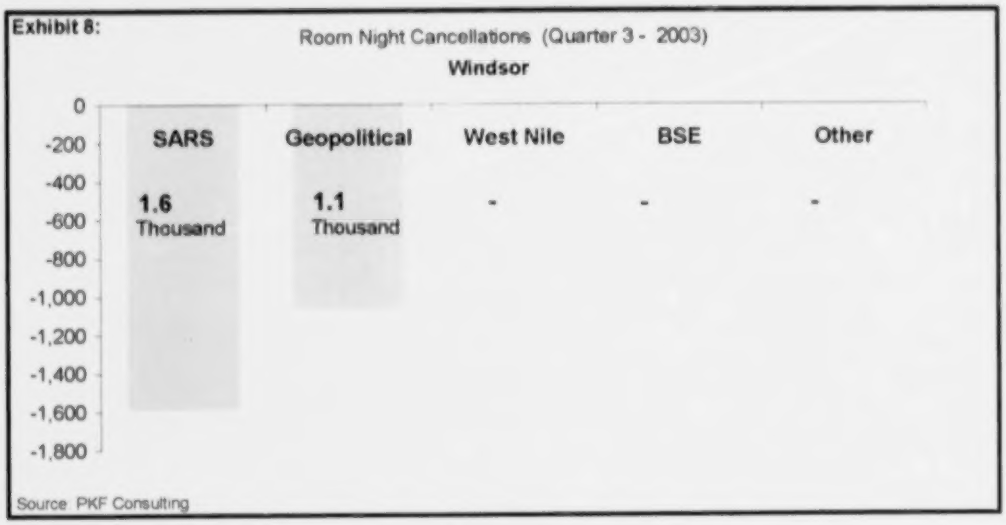
Exhibit 7:
ROOM CANCELLATIONS

	Quarter 3	Quarter 4
Windsor	2,644	1,927
Cancelled Room Nights	1,587	1,156
Due to SARS	***60%***	***60%***
Cancelled Room Nights	1,058	771
Due to Geopolitical Reasons	***40%***	***40%***
Cancelled Room Nights	0	0
Due to West Nile Virus	***0%***	***0%***
Cancelled Room Nights	0	0
Due to BSE	***0%***	***0%***
Cancelled Room Nights	0	0
Due to Other Reasons	***0%***	***0%***

Source: PKF Consulting

- Potential room revenue losses during **Quarter 4 2003** are not expected to be as strong, with **$197,000 in cancelled business**, of which over $118,000 is attributable to SARS.

Exhibit 8:

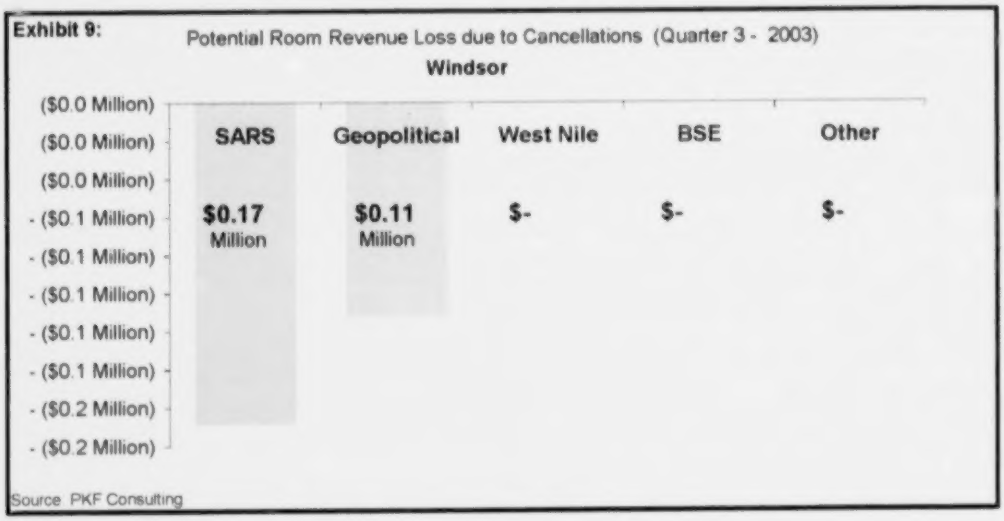


Room Night Cancellations (Quarter 3 - 2003)

Windsor

Source PKF Consulting

Exhibit 9:

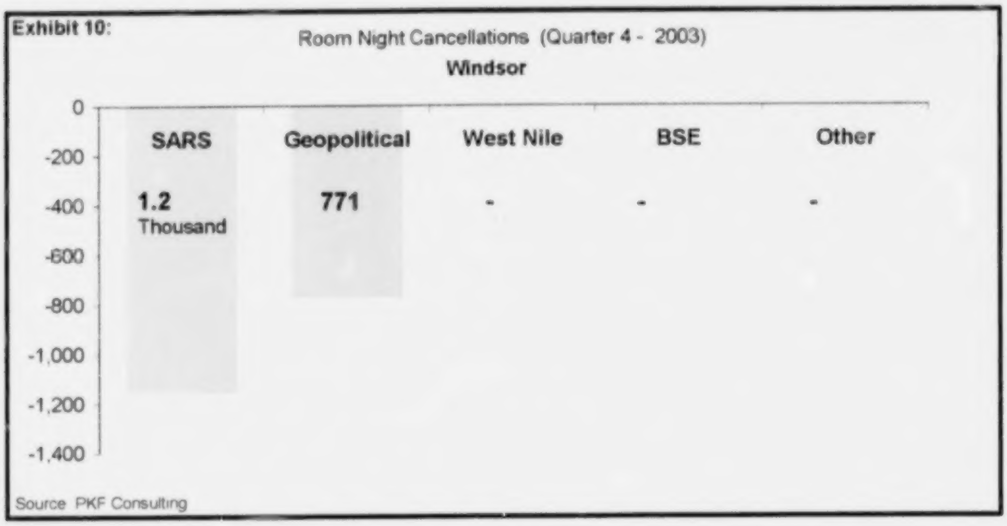


Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)

Windsor

Source PKF Consulting

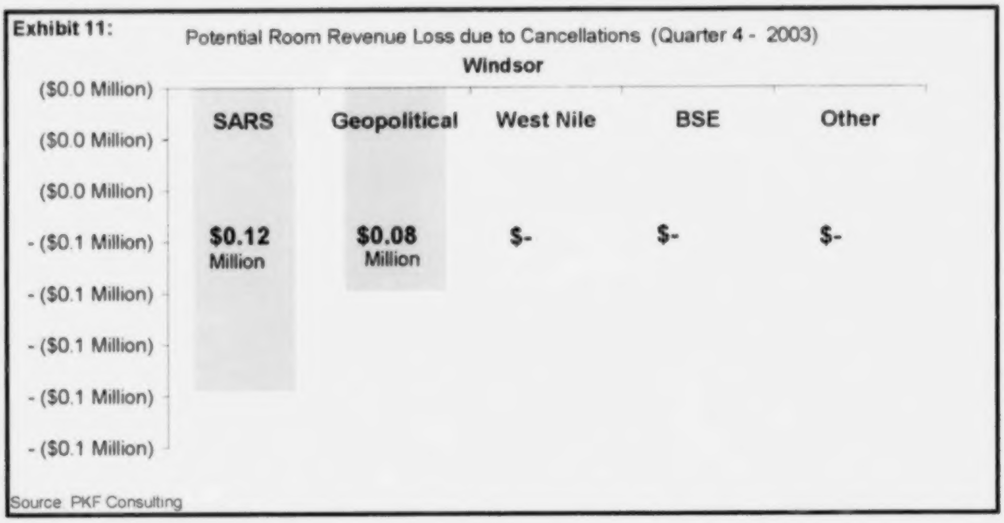
Exhibit 10:



Room Night Cancellations (Quarter 4 - 2003)
Windsor

Source: PKF Consulting

Exhibit 11:



Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)
Windsor

Source: PKF Consulting

5.5 ONTARIO RESORTS

QUARTER 2 2003: RESULTS

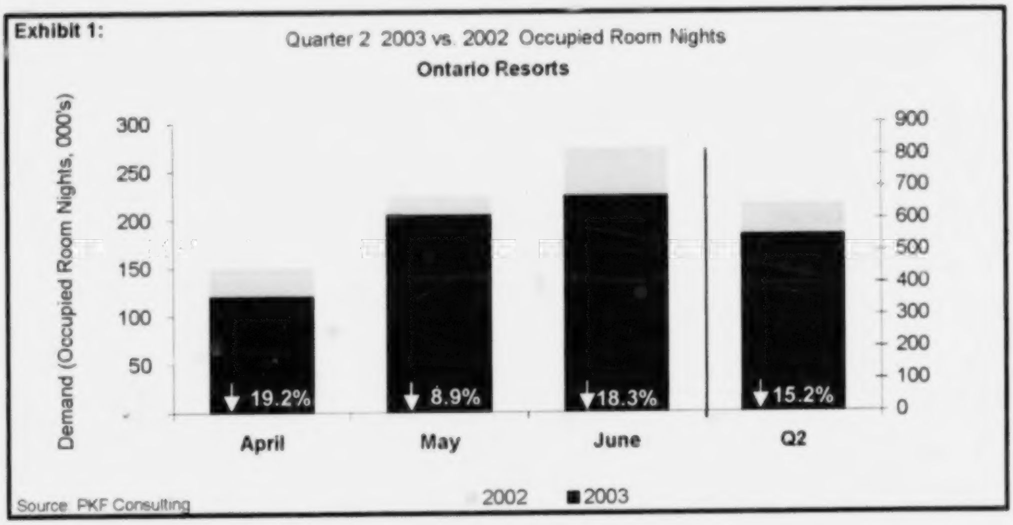
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Ontario resort market averaged 15,289 rooms – a 4.4% increase over the same period in 2002, with the addition of 646 rooms primarily in the Collingwood region.

Demand

- During Quarter 2, the Ontario Resort market achieved a 40% occupancy at an average daily rate of $160.
- Demand for Ontario Resorts **decreased by approximately 99,000 room nights or –15.2% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the industry was down by 19.2% in demand in April, followed by a decline of 8.9% in May and a further decline of 18.3% in June.

Exhibit 1:



Source: PKF Consulting

- Demand levels amongst Ontario Resorts were ahead by 9.2% by the end of Quarter 1, before falling by 15.2% in Quarter 2, bringing year-to-date results for 2003 4.0% behind results achieved in the first half of 2002.

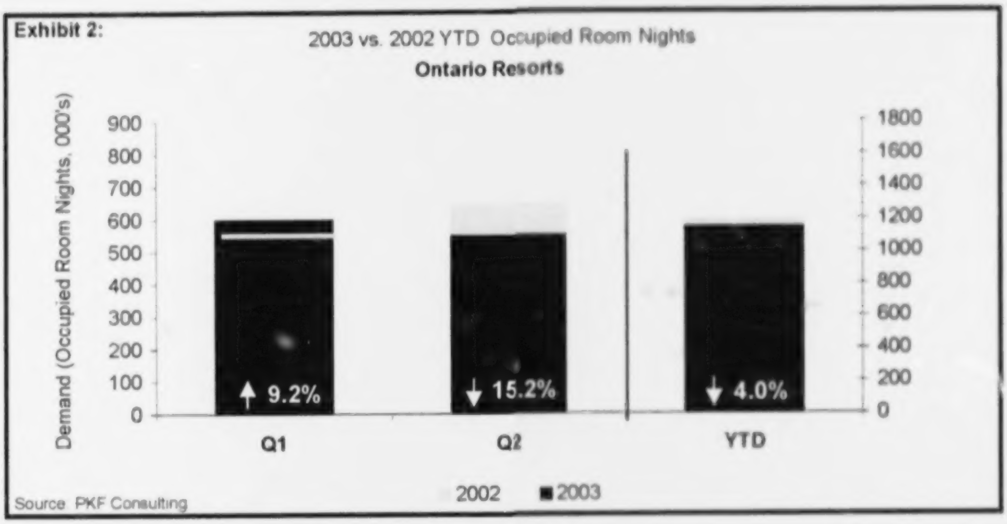


Exhibit 2:

2003 vs. 2002 YTD Occupied Room Nights

Ontario Resorts

Source PKF Consulting

Room Revenue

- Ontario Resorts withstood a loss of $3.4 Million in room revenue during the month of April, followed by a further loss of $6.5 Million in May, and a overwhelming $11.4 Million loss in June, in comparison to last year.
- Despite any gains achieved in Quarter 1, year-to-date room revenue is behind by $8.4 Million (4.4%), in comparison to the first half of 2002.

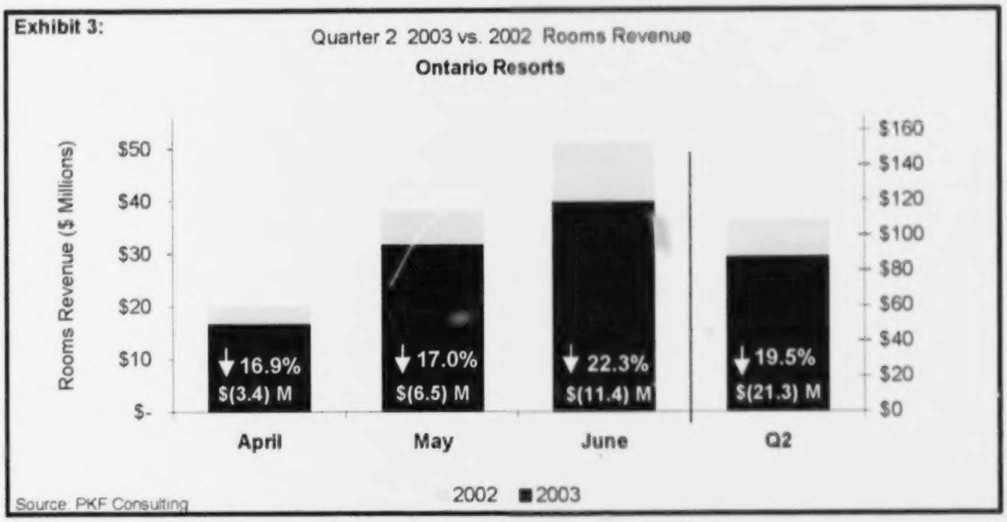


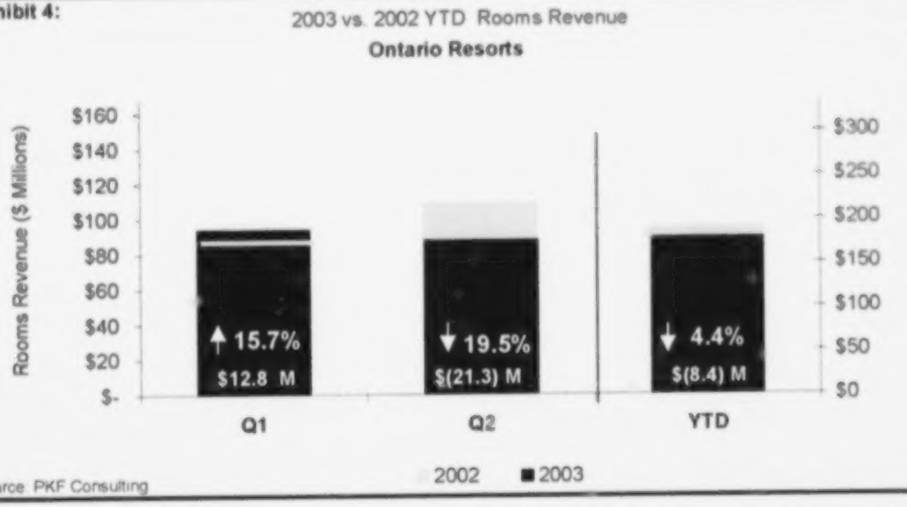
Exhibit 3:

Quarter 2 2003 vs. 2002 Rooms Revenue

Ontario Resorts

Source PKF Consulting

Exhibit 4:



Source: PKF Consulting

Budgets and PKF Outlook

- According to our PKF Outlook for the Ontario Resort market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 48% occupancy at an average daily rate of $172 in Quarter 2 2003.

- In preparing their operating budgets at the beginning of the year, Ontario Resort owners expected to achieve much higher results than the PKF Outlook – 54% occupancy at a $178 ADR – by the end of the second quarter.

- Based on actual results, the industry missed their budgets by 14 percentage points in occupancy, and by $18 in rate in Quarter 2 2003.

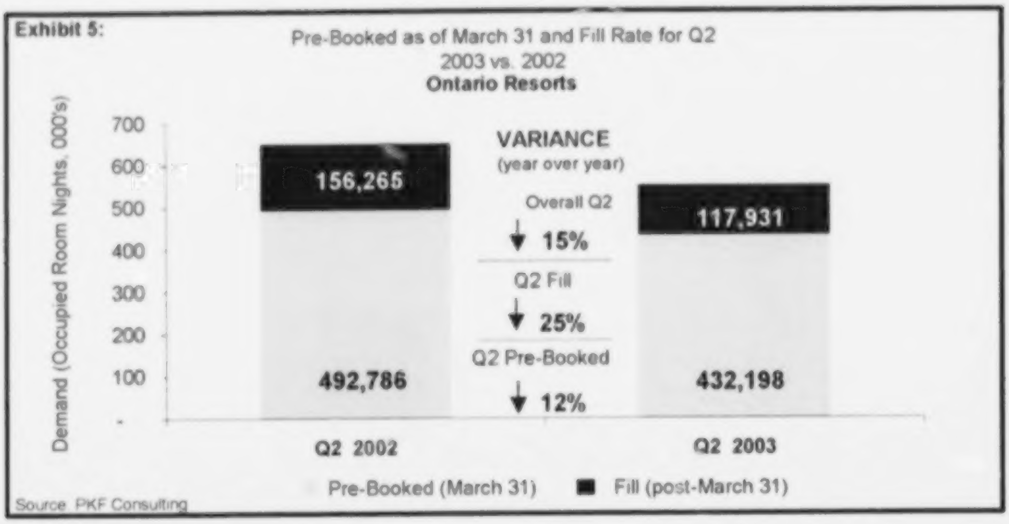
Pre-Booked Business and Fill Rate

- As of March 31st, Ontario Resort owners had pre-booked over 432,000 room nights for the upcoming months of April, May and June – 12% fewer room nights than were pre-booked over the same time frame last year.

- The fill rate for the resort market was also off by 25% this quarter, with approximately 118,000 room nights sold between April 1 and June 30, as opposed to 156,000 last year – 38,000 fewer room nights.

- Amongst the Ontario Resort sector, SARS and geopolitical factors impacted both pre-booking patterns as well as the fill rate for the quarter.

Exhibit 5:



Pre-Booked as of March 31 and Fill Rate for Q2 2003 vs. 2002
Ontario Resorts

Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Ontario Resort industry attributed most of their decreased demand in Quarter 2 2003 to "other factors" (37%) as well as SARS (25%) and geopolitical factors (25%). Operators felt the West Nile Virus had little impact on their demand.

- The segment responsible for the largest demand decrease was meetings and convention travel at 46%, with independent travel second at 39%.

- Furthermore, the industry cited a decline in domestic travel as the main reason for the loss in business at 52% and a drop in US travel at 47%.

- Based on the resort guest's primary mode of transportation used to arrive at the resort destination, almost all of the loss in Quarter 2 was attributable to a decline in the rubber-tire market.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 259,000 room nights or **27%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **299,000 room nights** of business was pre-booked for Quarter 3– which means that close to **40,000 more room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.

- This year's **Quarter 3 booking pace is up by 15%** in comparison to last year, which is very positive for the sector, given that in the period heading into Quarter 2, the pace was off by 12%.

- With strong pre-booked business and the possibility of good infill rates, Quarter 3 demand is expected to be heading in a positive direction.

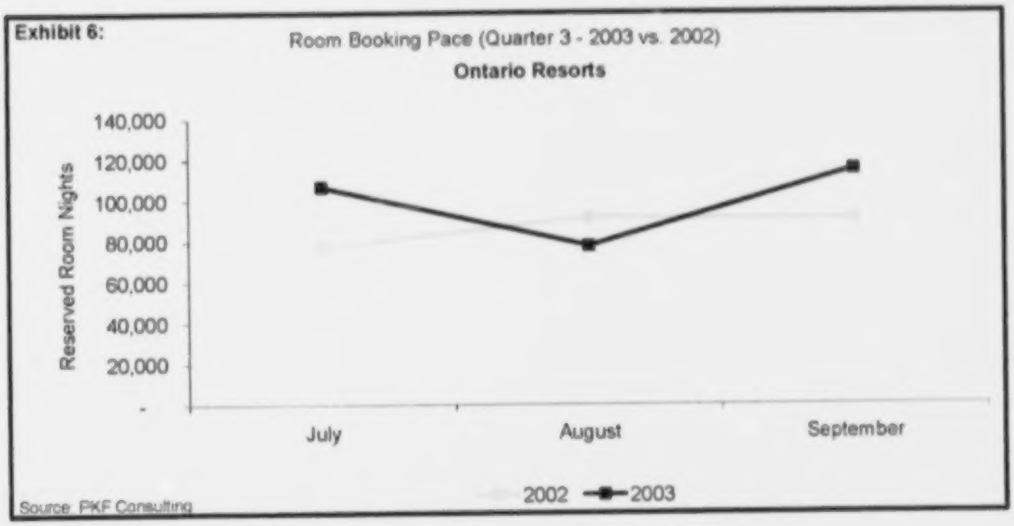


Exhibit 6: Room Booking Pace (Quarter 3 - 2003 vs. 2002)

Ontario Resorts

Source: PKF Consulting

Q3 & Q4 - Room Cancellations

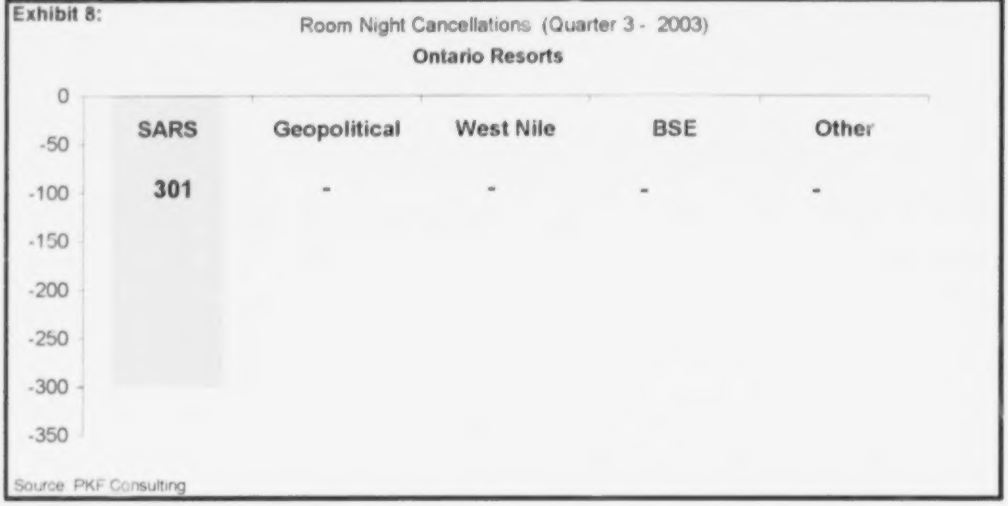
- Ontario Resorts only reported about 300 room cancellations during Quarter 3 2003, with no cancellations in Quarter 4.
- All of the Q3 room cancellations were attributable to SARS, which equates to a potential room revenue loss of $58,000. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.

Exhibit 7:
ROOM CANCELLATIONS

	Quarter 3	Quarter 4
Ontario Resorts	301	0
Cancelled Room Nights *Due to SARS*	301 ***100%***	0 ***0%***
Cancelled Room Nights *Due to Geopolitical Reasons*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to West Nile Virus*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to BSE*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to Other Reasons*	0 ***0%***	0 ***0%***

Source: PKF Consulting

Exhibit 8:



Source: PKF Consulting

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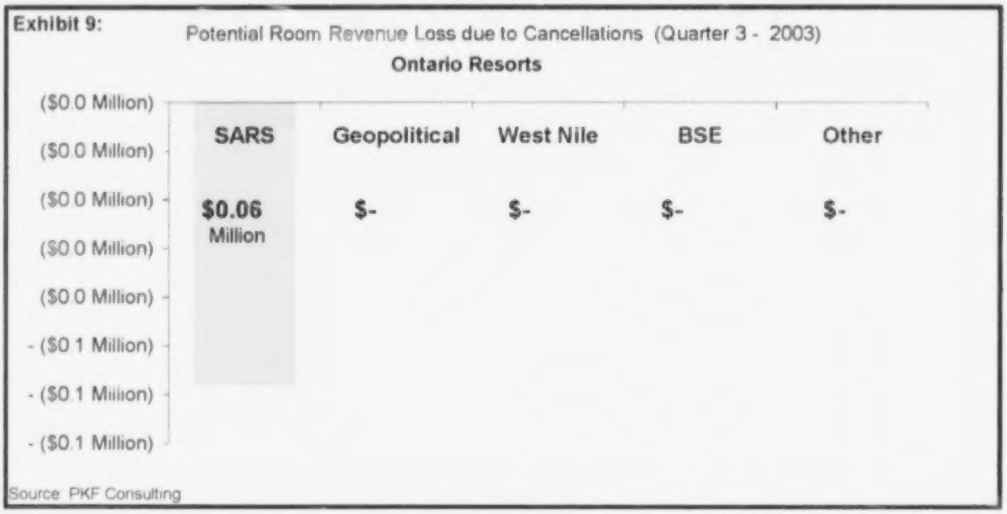
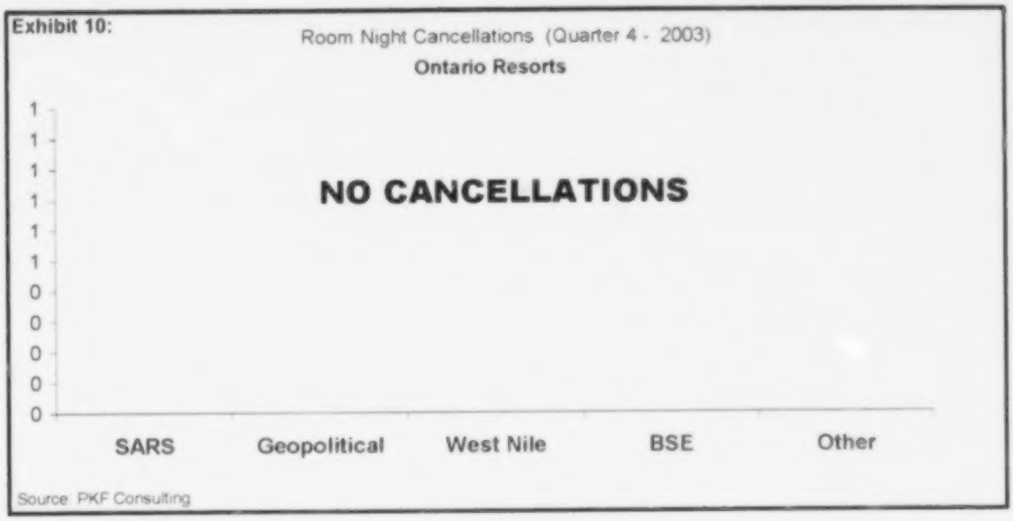


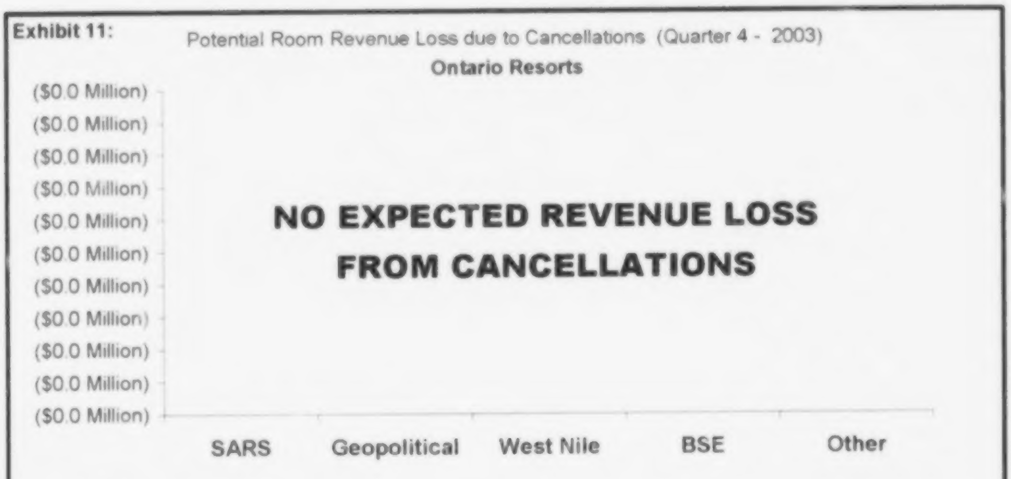
Source: PKF Consulting

Exhibit 10:



Source: PKF Consulting

Exhibit 11:



Source: PKF Consulting

5.6 SOUTHERN ONTARIO MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Excluding the major markets of Toronto (GTA) and Windsor, Southern Ontario's accommodation market averaged 28,303 rooms in Quarter 2 2003 –up 49 guest rooms from Q2 2002.

Demand and Rate

- During Quarter 2 2003, Southern Ontario's hotel market (excl. Toronto and Windsor) achieved a 54% occupancy at an average daily rate of $100. Occupancy levels were 6 percentage points higher than Quarter 2 of last year, and the average daily rate was down by approximately $4.
- Demand for the Southern Ontario accommodation market was **down by approximately 143,540 room nights or 9.4% in Quarter 2 2003**, as compared to the same quarter last year.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

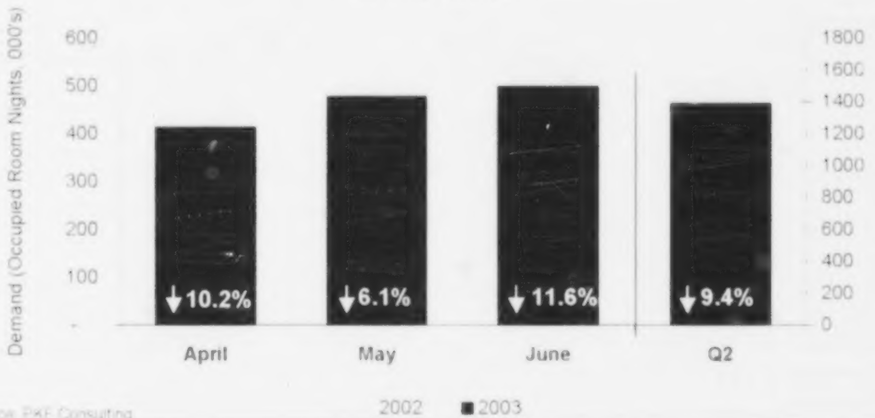
Market	Quarter 2- 2003 Occ.	Quarter 2- 2003 ADR	Quarter 2- 2002 Occ.	Quarter 2- 2002 ADR	% Change Demand	% Change ADR
London	57%	$92	59%	$94	-4%	-2%
KW/Cambridge/Guelph	63%	$92	63%	$92	0%	0%
Niagara Falls	49%	$116	60%	$123	-19%	-6%
Other Niagara Region	52%	$88	50%	$88	3%	0%
Other Southern Ontario	48%	$92	55%	$91	-11%	1%
Total Southern Ontario	**54%**	**$100**	**60%**	**$104**	**-9%**	**-4%**

Source: PKF Consulting

Exhibit 2:

Quarter 2 2003 vs. 2002 Occupied Room Nights

Southern Ontario



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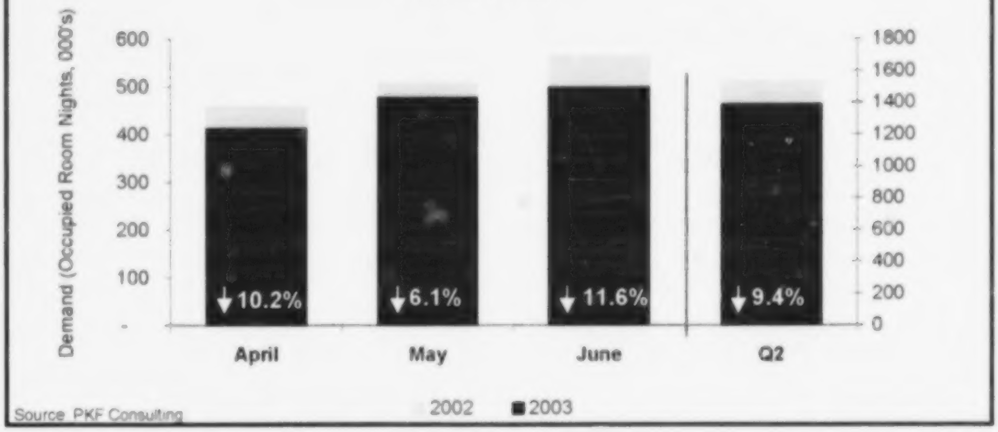
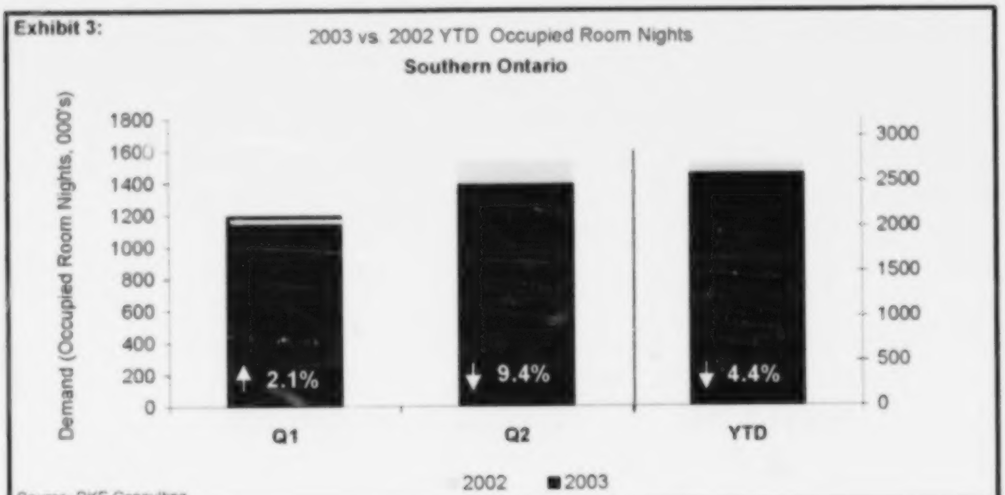


Source: PKF Consulting

- While demand was up by 2.1% at the end of Quarter 1, Quarter 2 results showed a decline of 9.4%, bringing **year-to-date results for 2003 4.4% below results achieved in the first half of 2002.**

Exhibit 3:

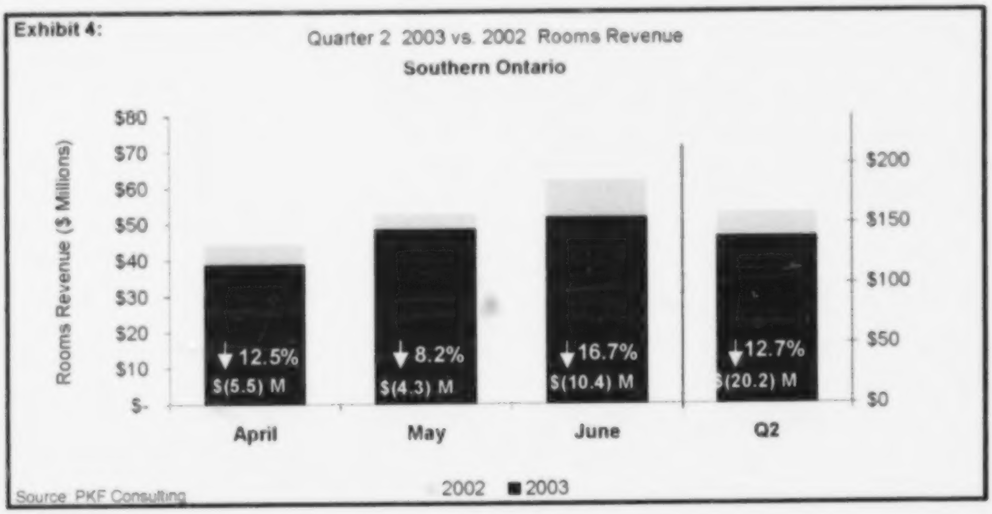


Source: PKF Consulting

Room Revenue

- Southern Ontario's room revenue dropped by 12.5% in April and 8.2% in May, with the hardest hit month being June with a loss of $10.4 Million – down 16.7% from last year.
- Overall, Quarter 2 room revenue was down by $20.2 Million (12.7%) compared to the same period last year. Offset by the region's positive start to the year, year-to-date room revenue is down by $16.1 Million – 6.1% below last year's results.

Exhibit 4:

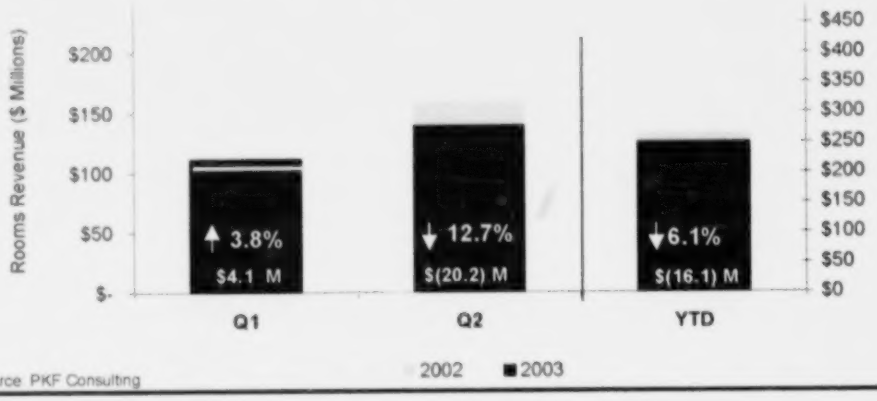


Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Southern Ontario



Source: PKF Consulting

5.7 EASTERN ONTARIO MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Excluding the major market of Ottawa, Eastern Ontario's accommodation market was 8,290 rooms in Quarter 2 2003 – the same as in Q2 2002.

Demand and Rate

- During Quarter 2 2003, Eastern Ontario's hotel market (excl. Ottawa) achieved a 54% occupancy at an average daily rate of $93. Occupancy levels were off by 7 percentage points from Quarter 2 of last year, but the average daily rate was up by approximately $1.

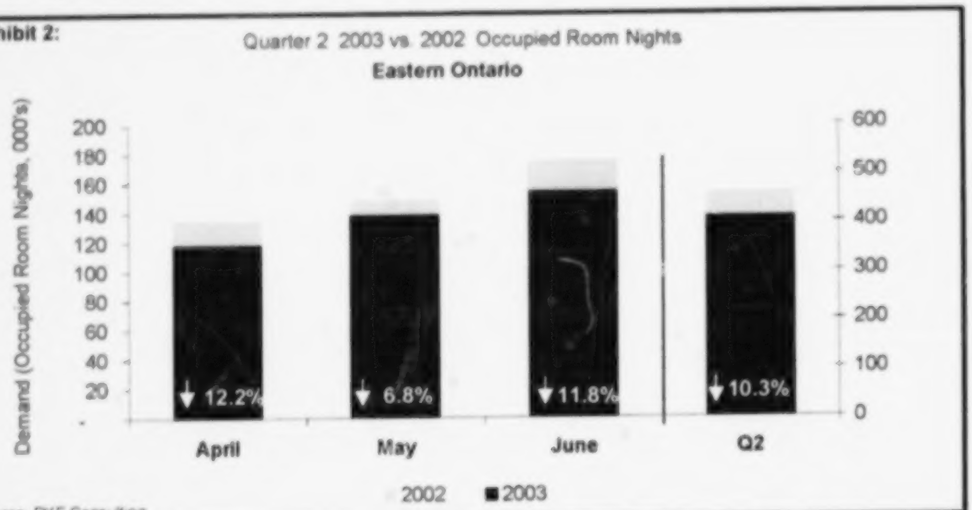
Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ	ADR	Occ	ADR	Demand	ADR
Kingston	61%	$105	62%	$103	-3%	1%
Other Eastern Ontario	51%	$86	60%	$85	-14%	1%
Total Eastern Ontario	**54%**	**$93**	**61%**	**$92**	**-10%**	**1%**

Source: PKF Consulting

- Demand for the Eastern Ontario accommodation market was **down by approximately 47,100 room nights or 10.3% in Quarter 2 2003**, as compared to the 2nd quarter of 2002.

Exhibit 2:



Source: PKF Consulting

- To date, the Eastern Ontario market has not fared well this year– Demand was down by 0.9% at the end of Q1, with a further 10.3% decline in Q2, **bringing year-to-date results for 2003 6.3% below results achieved in the first half of 2002.**

5.7 EASTERN ONTARIO MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Excluding the major market of Ottawa, Eastern Ontario's accommodation market was 8,290 rooms in Quarter 2 2003 – the same as in Q2 2002

Demand and Rate

- During Quarter 2 2003, Eastern Ontario's hotel market (excl. Ottawa) achieved a 54% occupancy at an average daily rate of $93. Occupancy levels were off by 7 percentage points from Quarter 2 of last year, but the average daily rate was up by approximately $1.

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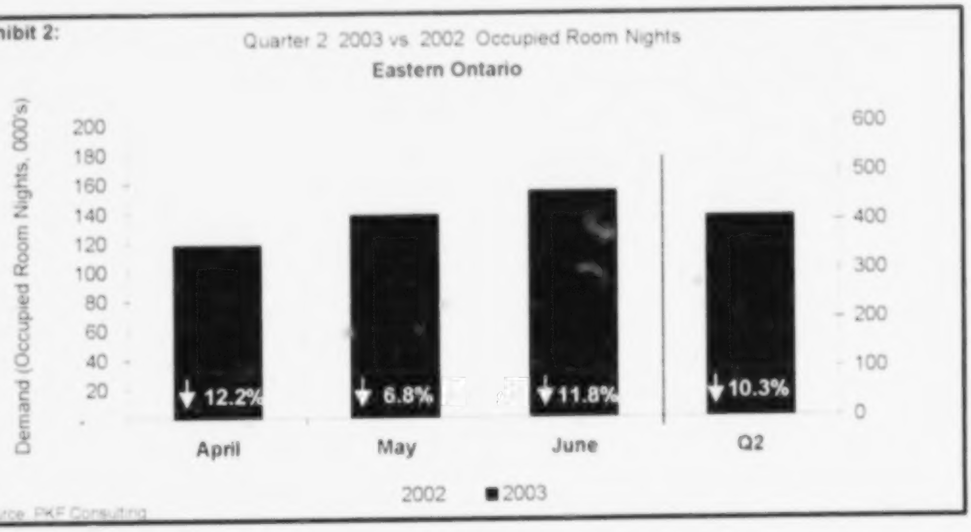

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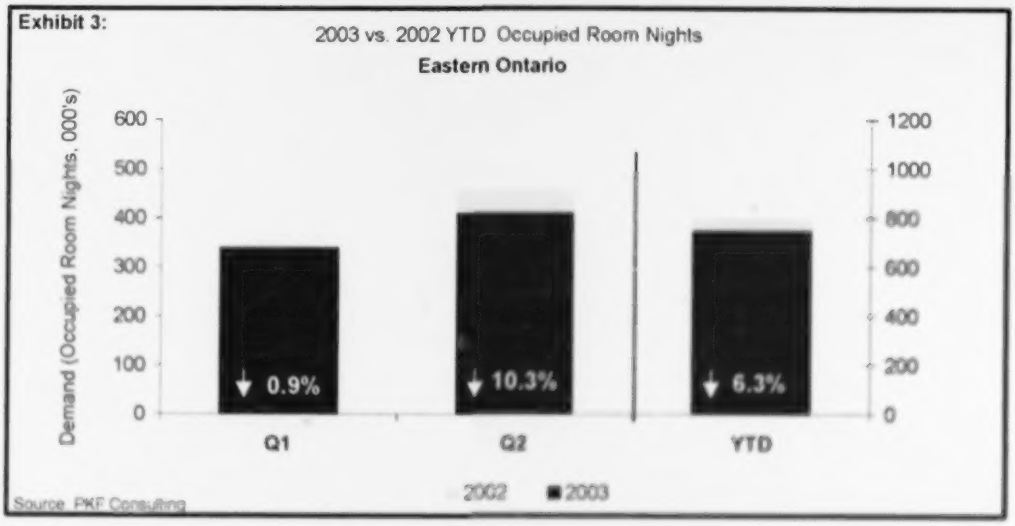
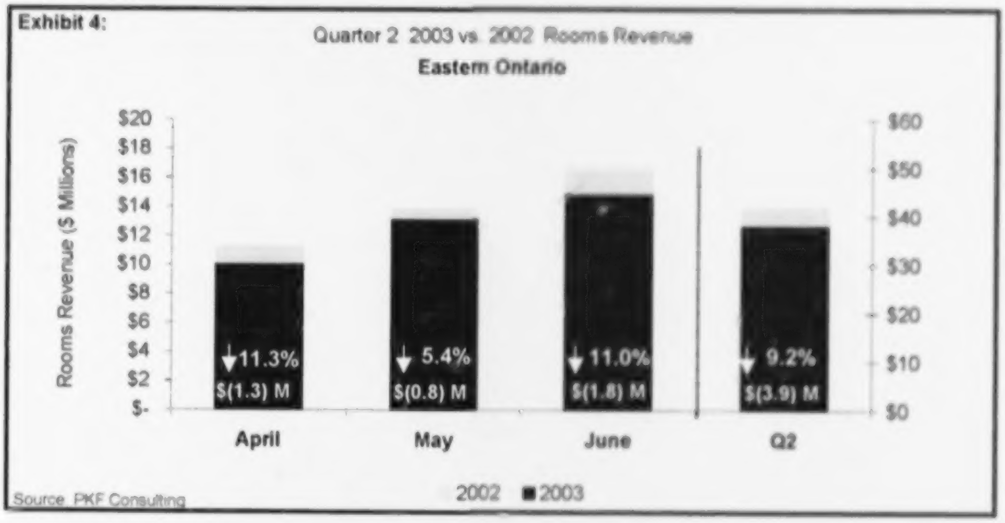


Source: PKF Consulting

Room Revenue

- Eastern Ontario's room revenue declined by 11.3% in April and 5.4% in May, and dropped behind by a further 11.0% in June.
- Overall, Quarter 2 room revenue was down by $3.9 Million (9.2%) compared to the same period last year. While the industry enjoyed a 3.6% increase in room revenue during Quarter 1, the losses in Quarter 2 have resulted in a year-to-date room revenue loss of $2.9 Million --- 4.1% below last year's results.

Exhibit 4:

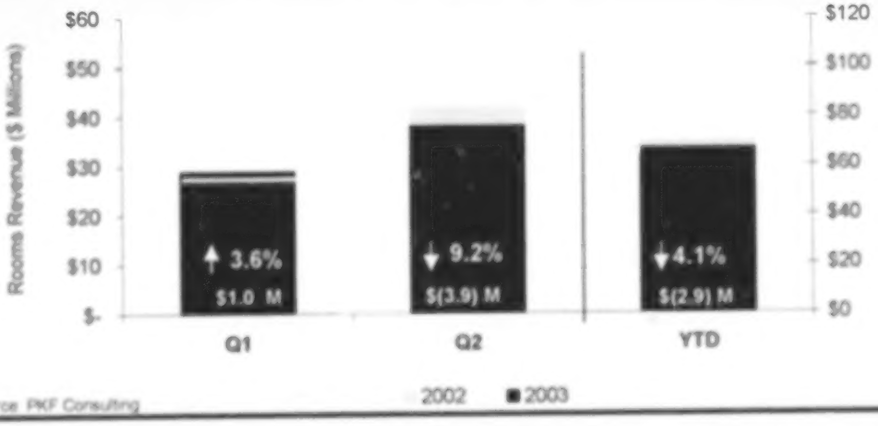


Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Eastern Ontario



Source: PKF Consulting

5.8 NORTHERN ONTARIO MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Northern Ontario's accommodation market was 9,348 rooms in Quarter 2 2003 – an increase of 68 guest rooms compared to Q2 2002.

Demand and Rate

- During Quarter 2 2003, Northern Ontario's hotel market achieved a 62% occupancy at an average daily rate of $83. Occupancy levels were 2 points lower than Quarter 2 of last year, and the average daily rate was up by approximately $1.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

Market	Quarter 2 - 2003		Quarter 2- 2002		% Change	
	Occ.	ADR	Occ.	ADR	Demand	ADR
North Bay	56%	$87	57%	$89	-2%	-2%
Sudbury	57%	$85	66%	$82	1%	3%
Sault Ste. Marie	53%	$81	53%	$81	6%	0%
Total Northern Ontario	62%	$83	64%	$82	-2%	2%

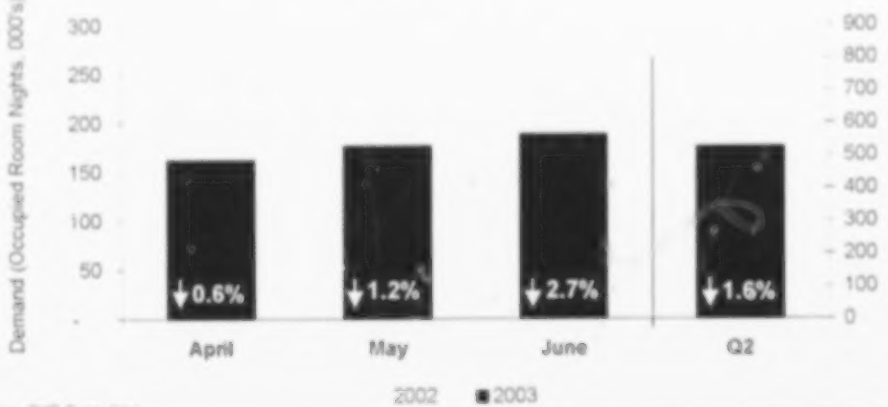
Source: PKF Consulting

- Demand for the Northern Ontario accommodation market was **down by approximately 8,520 room nights or 1.6% in Quarter 2 2003**, as compared to Q2 2002.

Exhibit 2:

Quarter 2 2003 vs. 2002 Occupied Room Nights

Northern Ontario



Source: PKF Consulting

- While demand was ahead by 4.9% at the end of Quarter 1, Quarter 2 results showed a marginal decline of 1.6%, bringing **year-to-date results for 2003 1.4% ahead of results achieved in the first half of 2002.**

5.8 NORTHERN ONTARIO MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Northern Ontario's accommodation market was 9,348 rooms in Quarter 2 2003 – an increase of 68 guest rooms compared to Q2 2002.

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Sudbury	57%	$85	66%	$82	1%	3%
Sault Ste. Marie	53%	$81	53%	$81	6%	0%
Total Northern Ontario	**62%**	**$83**	**64%**	**$82**	**-2%**	**2%**

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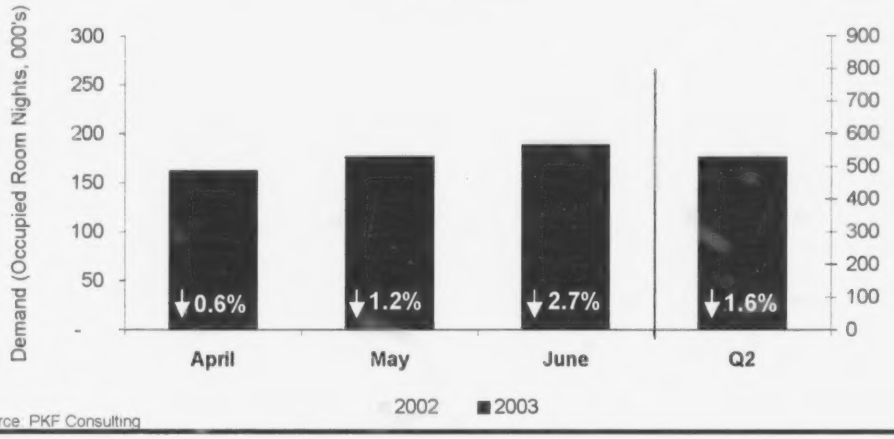

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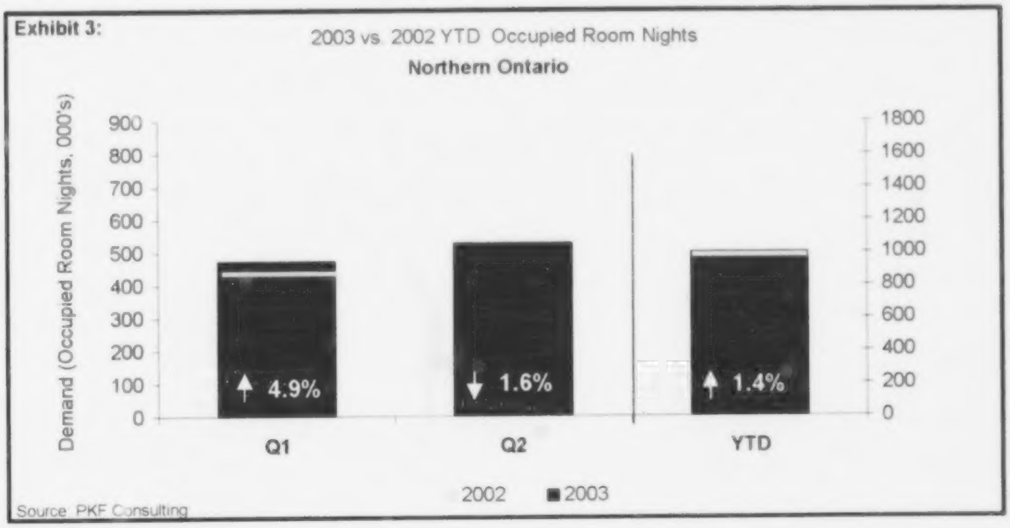
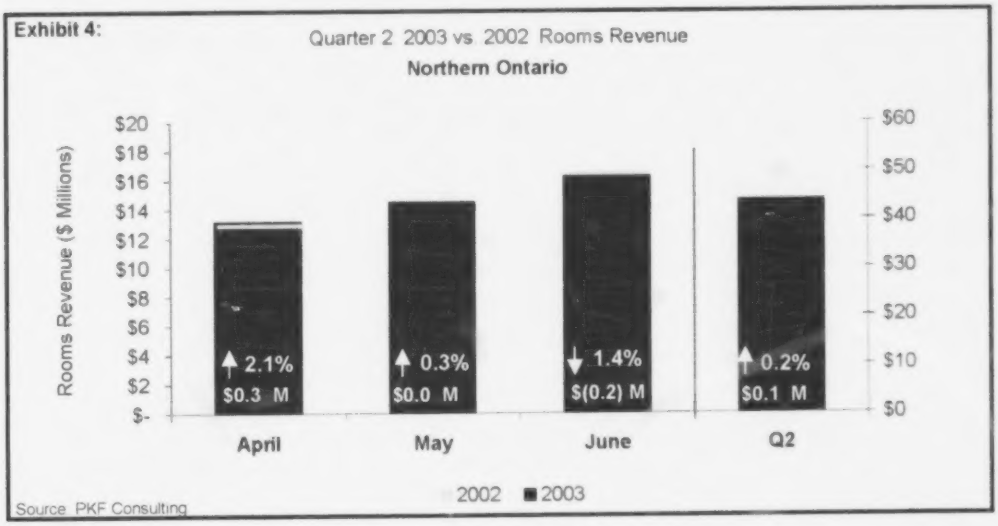


Source: PKF Consulting

Room Revenue

- Northern Ontario's room revenue improved by 2.1% in April, was flat in May, and declined by 1.4% in June.
- Overall, Quarter 2 room revenue showed a modest improvement of $71,000 or 0.2% above the same period last year. As such, year-to-date room revenue is actually ahead by 3.6% -- $2.8 Million above last year's results, largely due to the gains made in Q1.

Exhibit 4:



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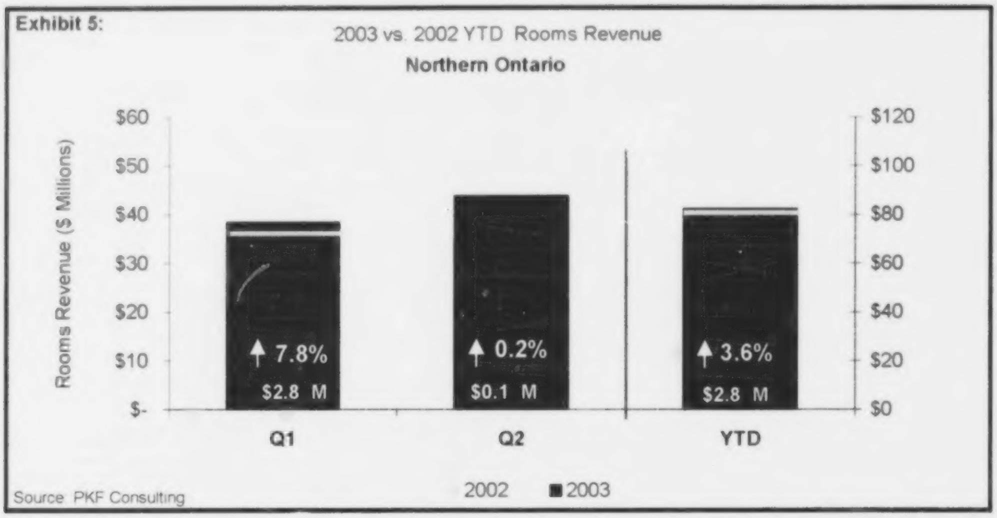


Source: PKF Consulting

6.0 MANITOBA PROVINCIAL/MARKET PERFORMANCE

6.1 PROVINCE OF MANITOBA

QUARTER 2 2003: RESULTS

Total Provincial Supply Inventory

- Manitoba's accommodation market was 10,633 rooms in Quarter 2 2003 – a 2.6% increase over the same period in 2002, due to the addition of 271 new rooms.

Provincial Demand

- During Quarter 2, Manitoba's hotel market achieved a 64% occupancy at an average daily rate of $91. Occupancy levels were consistent with Quarter 2 2002, while the average daily rate increased by 1.3% or approximately $1.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

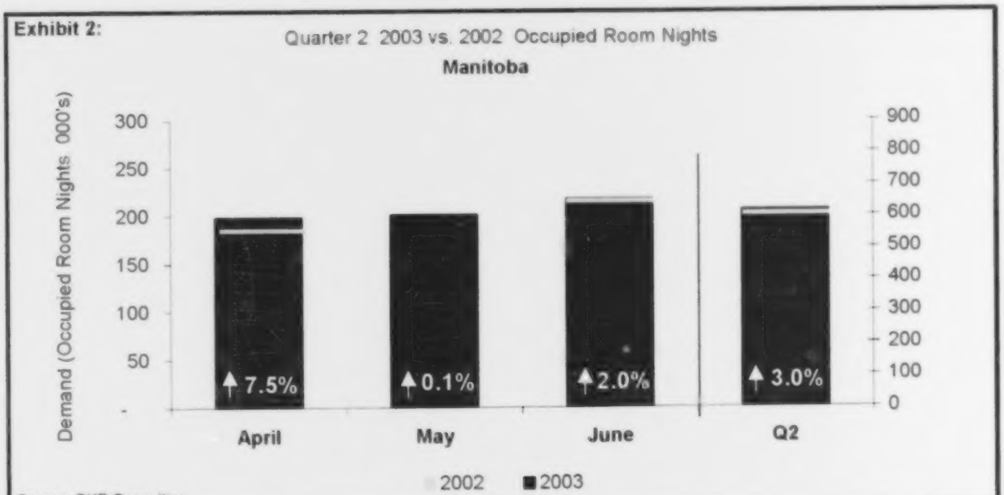
	Quarter 2 - 2003		Quarter 2- 2002		% Change	
Market	Occ	ADR	Occ	ADR	Demand	ADR
Winnipeg	67%	$97	68%	$96	0%	1%
Other Manitoba	57%	$72	53%	$70	14%	4%
Total Manitoba	**64%**	**$91**	**64%**	**$90**	**3%**	**1%**

Source: PKF Consulting

- With a 2.6% increase in supply, demand for Manitoba hotels was **up by approximately 18,200 room nights or 3.0% in Quarter 2 2003**, as compared to the first three months of 2002.

- On a month-to-month basis, demand for room nights in Manitoba increased by 7.5% in April, was flat in May and increased by 2.0% in June.

Exhibit 2:



Source: PKF Consulting

- While demand was down by 3.1% at the end of Quarter 1, Quarter 2 results showed an increase of 3.0%, placing **year-to-date results for 2003 at par with results achieved in the first half of 2002.**

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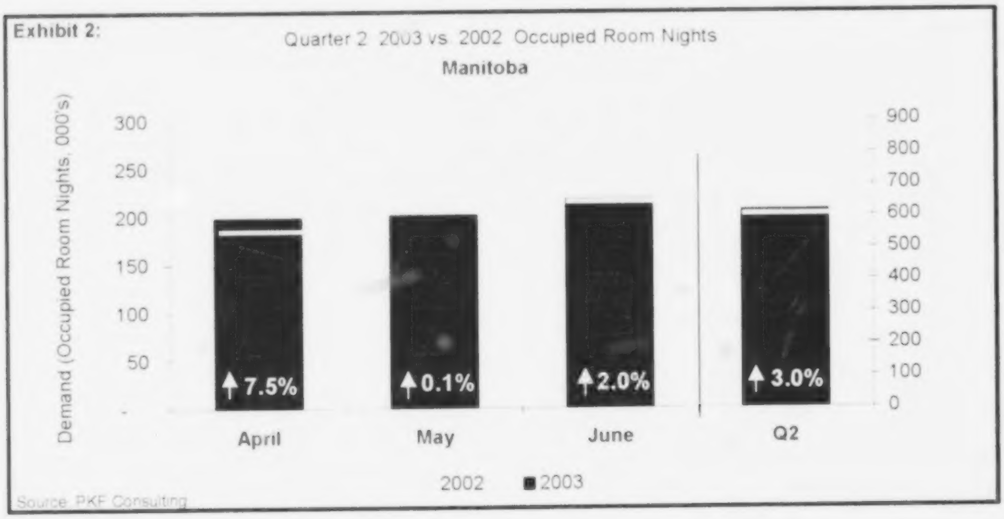
- On a month-to-month basis, demand for room nights in Manitoba increased by 7.5% in April, was flat in May and increased by 2.0% in June.

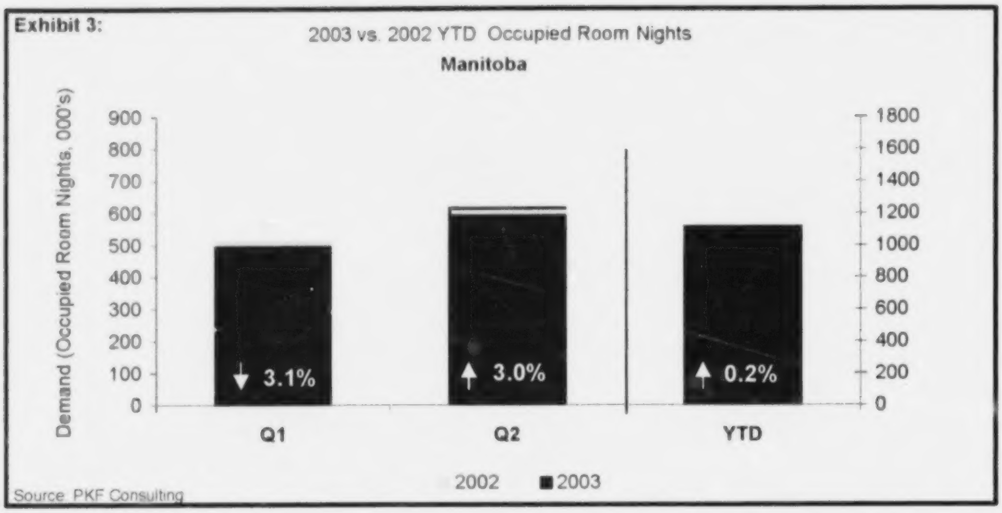
Exhibit 2:



Source: PKF Consulting

- While demand was down by 3.1% at the end of Quarter 1, Quarter 2 results showed an increase of 3.0%, placing **year-to-date results for 2003 at par with results achieved in the first half of 2002.**

Exhibit 3:

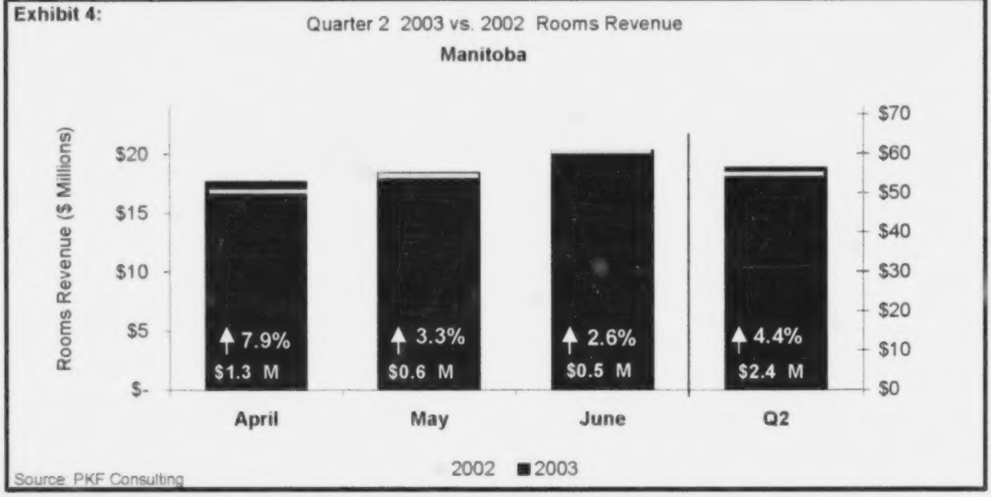


Source: PKF Consulting

Room Revenue

- Manitoba had a positive second quarter, with room revenue increasing by 7.9% in April, 3.3% in May and 2.6% in June.
- Overall, Quarter 2 room revenue was ahead by $2.4 Million (4.4%) compared to the same period last year. However, given the province's slow start to the year, year-to-date room revenue is only ahead by 1.9% – $1.9 Million above last year's results.

Exhibit 4:

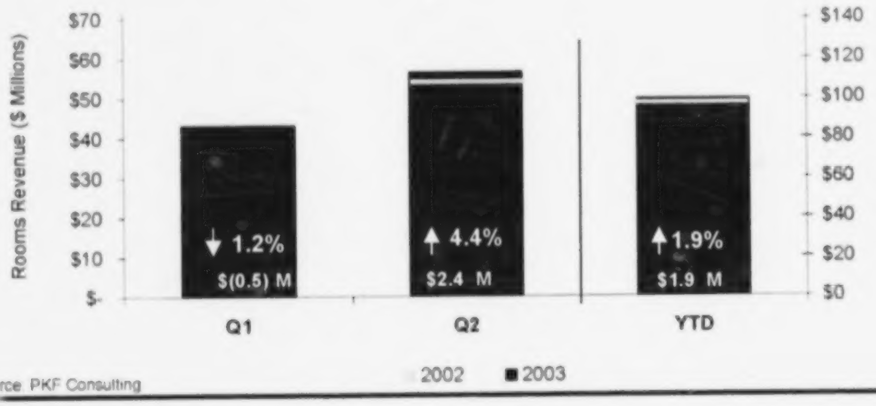


Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Manitoba



Source: PKF Consulting

6.2 WINNIPEG[2]

QUARTER 2 2003: RESULTS

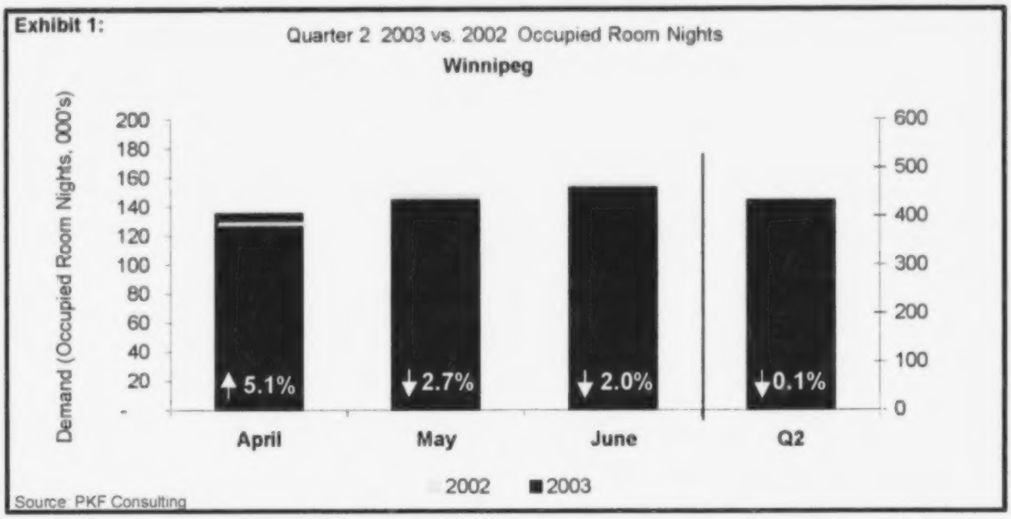
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Winnipeg hotel market was 7,103 rooms – a 1.3% increase over the same period in 2002, with the addition of 93 rooms.

Demand and Rate

- During Quarter 2, the Winnipeg hotel market achieved a 67% occupancy at an average daily rate of $97.
- With a 1.3% increase in supply, demand for Winnipeg hotels was only **down by approximately 630 room nights or –0.1% in Quarter 2 2003**, as compared to the previous year.
- On a month-to-month basis, the industry was up by 5.1% in demand in April, before sliding behind by 2.7% in May and 2.0% in June.

Exhibit 1:



Source: PKF Consulting

- With demand down by 2.5% at the end of Quarter 1 and Quarter 2 results showing no change, **year-to-date results for 2003 are 1.2% below results achieved in the first half of 2002.**

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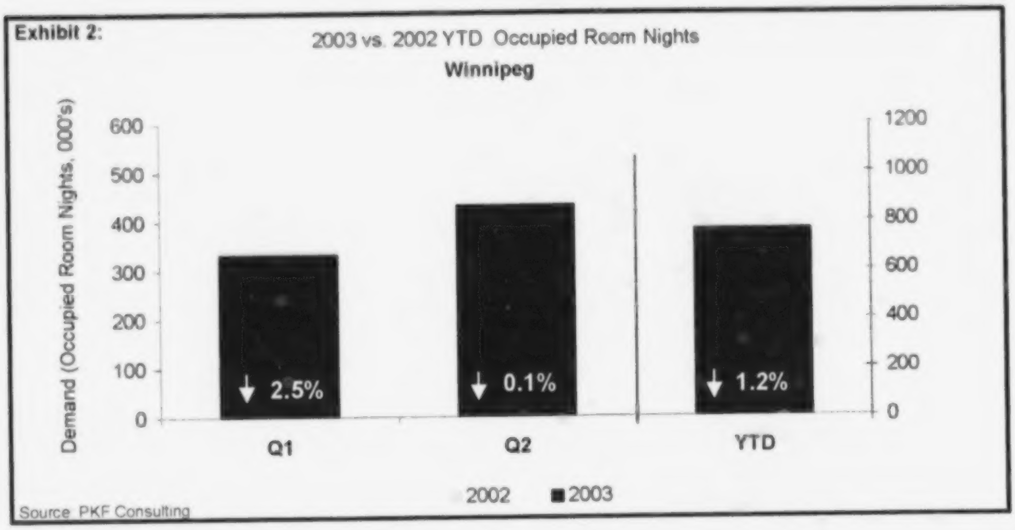
[2] Due to an insufficient response rate to PKF's Quarter 2 Survey, a Major Market Report for the City of Winnipeg's accommodation sector has not been provided in this 2nd Quarter Report.

Exhibit 2:



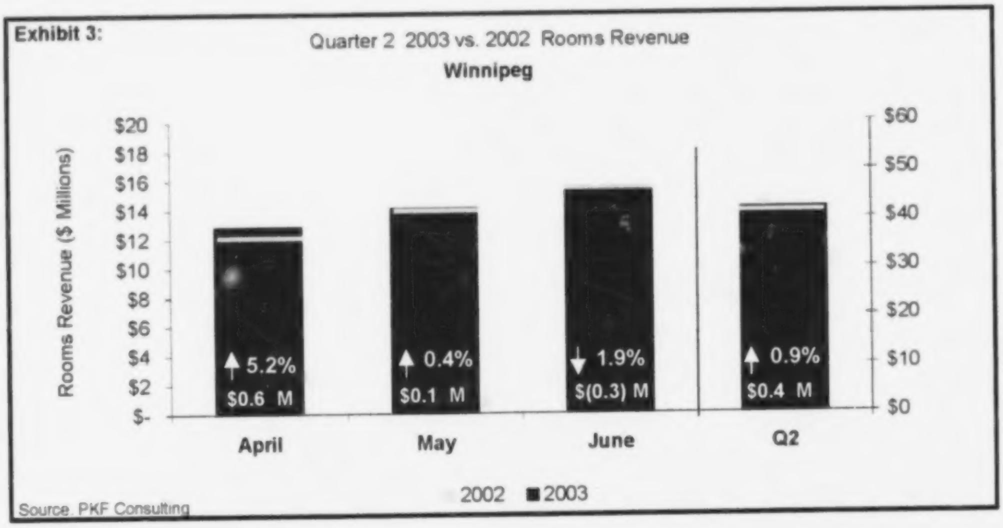
Source: PKF Consulting

Room Revenue

- Winnipeg's room revenue losses were only felt in June, which recorded a decline of $299,000 from the year prior. In April, room revenue was ahead by $631,000, while May's revenues were up by $58,000 in comparison to the previous year.

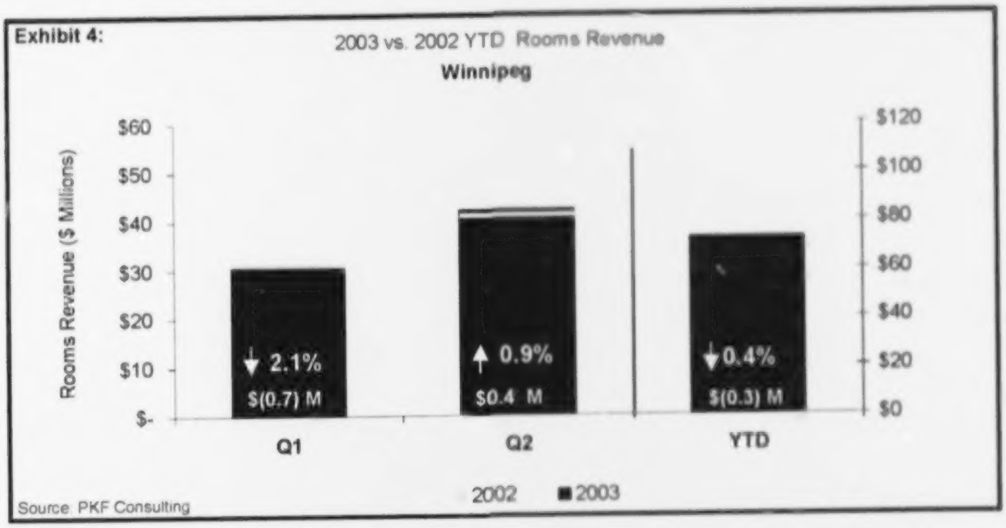
- Overall Quarter 2 room revenue was 0.9% ahead of the same period last year, resulting in a Q2 room revenue gain of $390,000. Quarter 2's gain was not enough to offset Quarter 1's losses, placing year-to-date revenues $264,000 (-0.4%) behind the first half of 2002.

Exhibit 3:



Source: PKF Consulting

Exhibit 4:



Source: PKF Consulting

6.3 OTHER MANITOBA MARKETS

QUARTER 2 2003: RESULTS

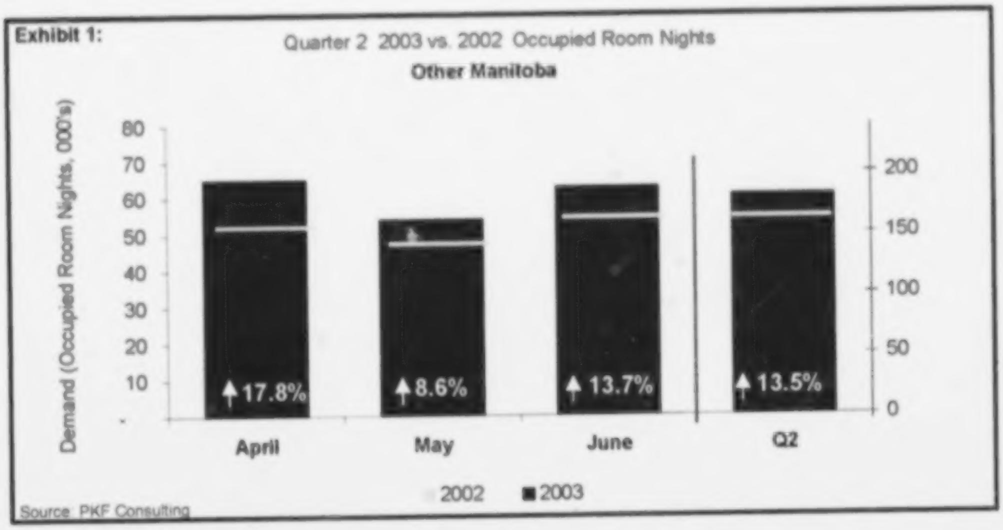
Hotel Supply Inventory

- Excluding the major market of Winnipeg, the balance of Manitoba's accommodation market averaged 3,530 rooms in Quarter 2 2003 – a 5.3% increase over the same period in 2002, due to the addition of 178 new rooms.

Demand and Rate

- During Quarter 2, the balance of Manitoba's hotel market achieved a 57% occupancy at an average daily rate of $72. Occupancy levels were up by 4 percentage points while the average daily rate rose by approximately $2.
- Demand for Manitoba hotels, excluding Winnipeg, **improved by approximately 21,670 room nights or 13.5% in Quarter 2 2003**, as compared to the 2nd Quarter of 2002.
- On a month-to-month basis, demand for room nights in Other Manitoba increased by 17.8% in April, 8.6% in May and a further 13.7% in June.

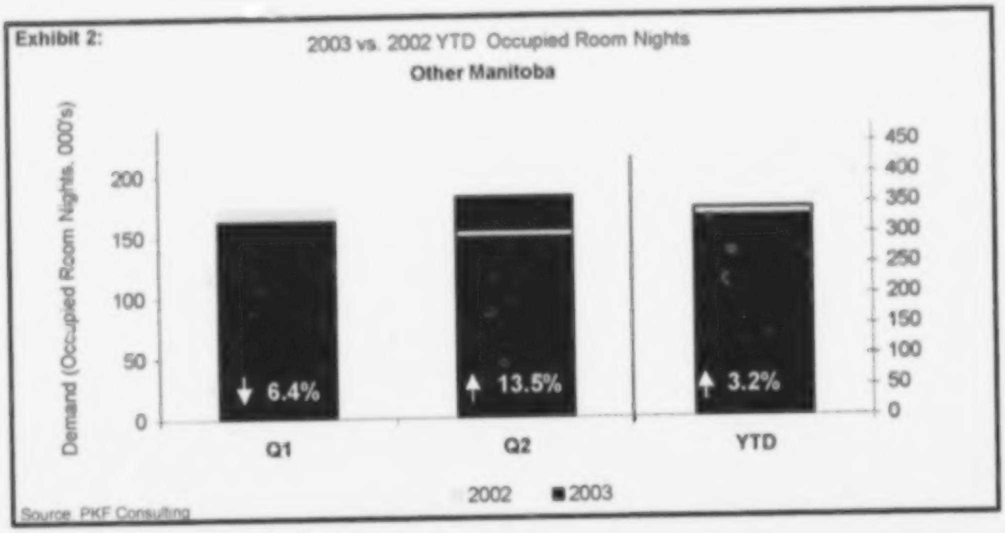
Exhibit 1:



Source: PKF Consulting

- While demand was down by 6.4% at the end of Quarter 1, Quarter 2 results showed a marked improvement of 13.5%, bringing **year-to-date results for 2003 3.2% ahead of results achieved in the first half of 2002.**

Exhibit 2:



2003 vs. 2002 YTD Occupied Room Nights

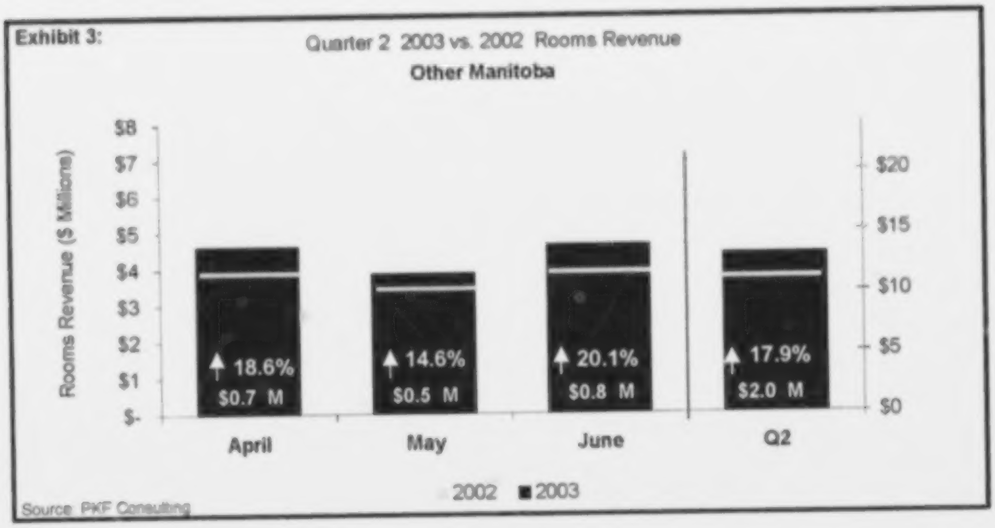
Other Manitoba

Source: PKF Consulting

Room Revenue

- Markets in "other Manitoba" showed consistent improvements in room revenue during the 2nd Quarter – April was up by $727,000 (18.6%); May by $491,000 (14.6%) and June by $780,000 (20.1%), as compared to last year.
- Overall Quarter 2 room revenue was 17.9% above the same period last year, resulting in a Q2 room revenue gain of $2 Million. With no change in the Quarter 1 performance, the year-to-date results indicate a $1.96 Million increase (8.4%) in room revenue from the first half of 2002.

Exhibit 3:

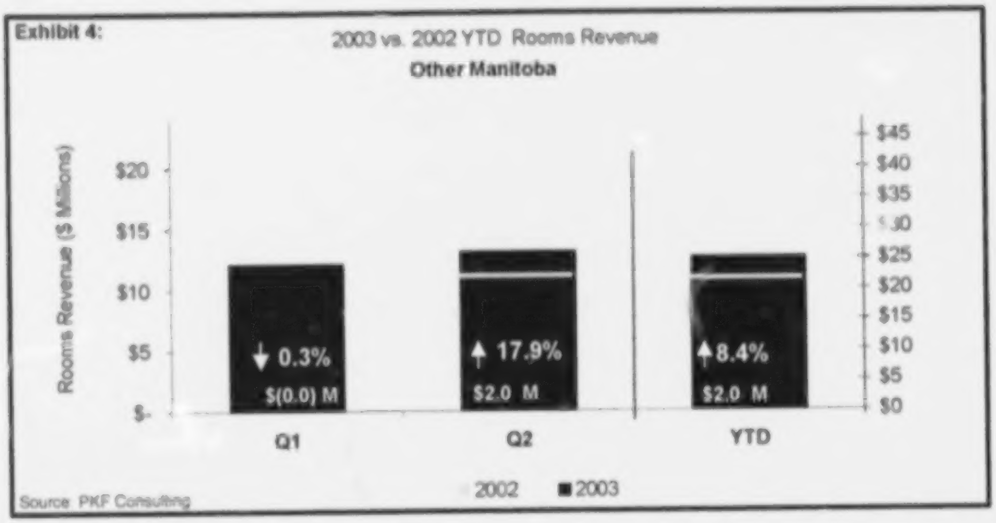


Quarter 2 2003 vs. 2002 Rooms Revenue

Other Manitoba

Source: PKF Consulting

Exhibit 4:



2003 vs. 2002 YTD Rooms Revenue

Other Manitoba

Source: PKF Consulting

7.0 SASKATCHEWAN PROVINCIAL/MARKET PERFORMANCE

7.1 PROVINCE OF SASKATCHEWAN

QUARTER 2 2003: RESULTS

Total Provincial Supply Inventory

- Including the major markets of Saskatoon and Regina, Saskatchewan's accommodation market was 11,033 rooms in Quarter 2 2003 – with no new or retracted inventory.

Provincial Demand

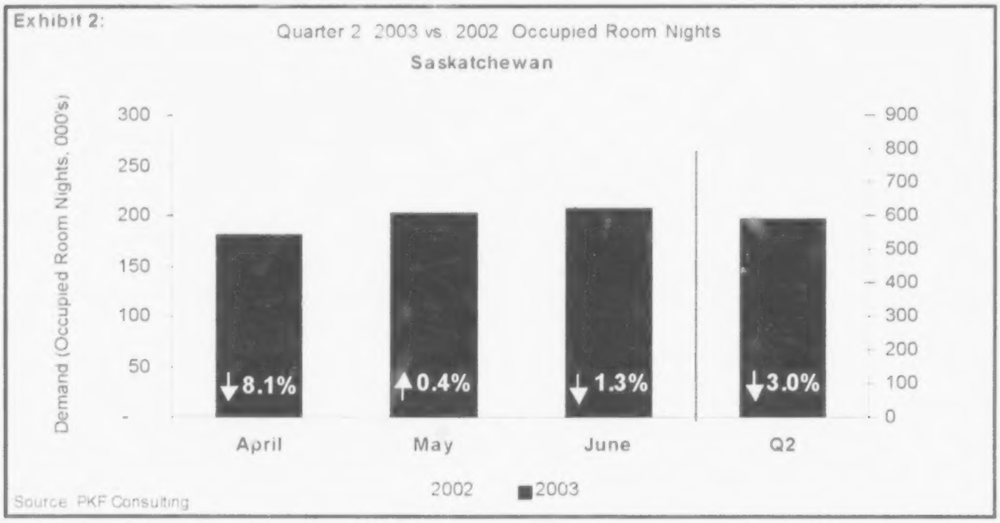
- During Quarter 2, Saskatchewan's hotel market achieved a 59% occupancy at an average daily rate of $85. Occupancy levels were down 2 percentage points over Quarter 2 2002, while the average daily rate improved by 5% to $85.
- Demand for Saskatchewan hotels **declined by approximately 18,100 room nights or 3% in Quarter 2 2003**, as compared to the same quarter last year.
- On a month-to-month basis, demand for room nights in Saskatchewan fell by 8.1% in April, was flat in May and only declined marginally in June.

Exhibit 1. Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Saskatoon- Regina	61%	$87	64%	$84	-5%	4%
Other Saskatchewan	52%	$78	50%	$70	3%	11%
Saskatchewan	**59%**	**$85**	**61%**	**$81**	**-3%**	**5%**

Source: PKF Consulting

Exhibit 2:



Source: PKF Consulting

- **While demand was up by 1.9% at the end of Quarter 1, Quarter 2 results showed a decline of 3.0%, bringing year-to-date results for 2003 0.7% below results achieved in the first half of 2002.**

7.0 SASKATCHEWAN PROVINCIAL/MARKET PERFORMANCE

7.1 PROVINCE OF SASKATCHEWAN

QUARTER 2 2003: RESULTS

Total Provincial Supply Inventory

- Including the major markets of Saskatoon and Regina, Saskatchewan's accommodation market was 11,033 rooms in Quarter 2 2003 – with no new or retracted inventory.

Provincial Demand

- During Quarter 2, Saskatchewan's hotel market achieved a 59% occupancy at an average daily rate of $85. Occupancy levels were down 2 percentage points over Quarter 2 2002, while the average daily rate improved by 5% to $85.
- Demand for Saskatchewan hotels **declined by approximately 18,100 room nights or 3% in Quarter 2 2003**, as compared to the same quarter last year.
- On a month-to-month basis, demand for room nights in Saskatchewan fell by 8.1% in April, was flat in May and only declined marginally in June.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

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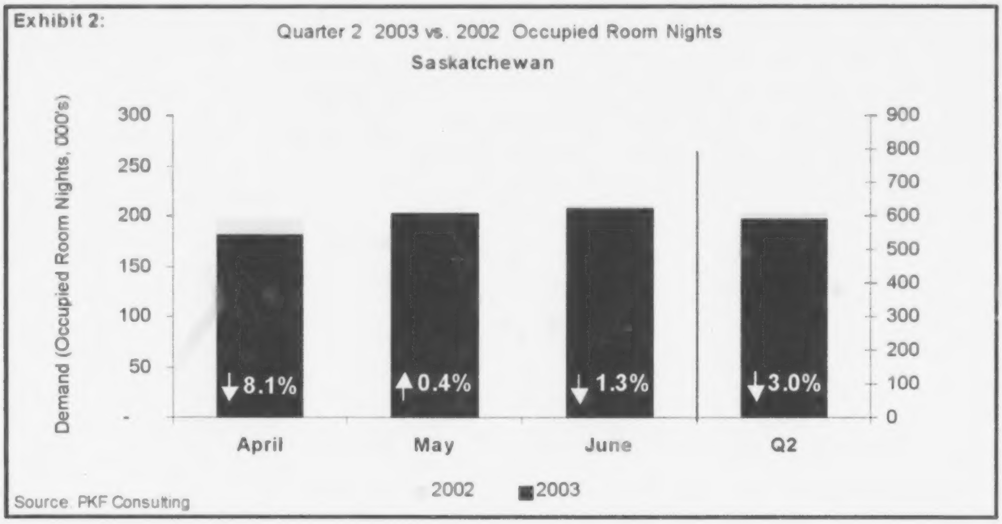
Other Saskatchewan	52%	$78	50%	$70	3%	11%
Saskatchewan	**59%**	**$85**	**61%**	**$81**	**-3%**	**5%**

Source: PKF Consulting

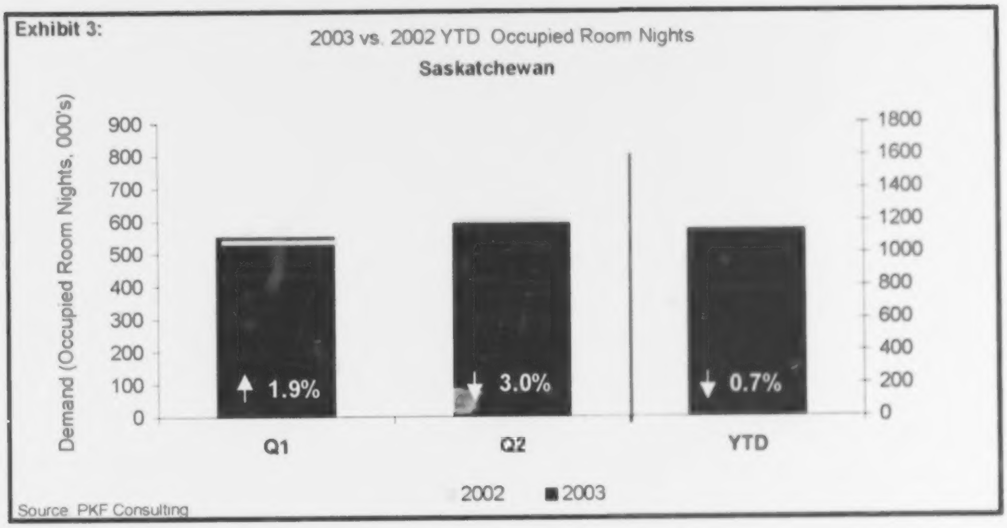
Exhibit 2:



Source: PKF Consulting

- **While demand was up by 1.9% at the end of Quarter 1, Quarter 2 results showed a decline of 3.0%, bringing year-to-date results for 2003 0.7% below results achieved in the first half of 2002.**

Exhibit 3:



2003 vs. 2002 YTD Occupied Room Nights

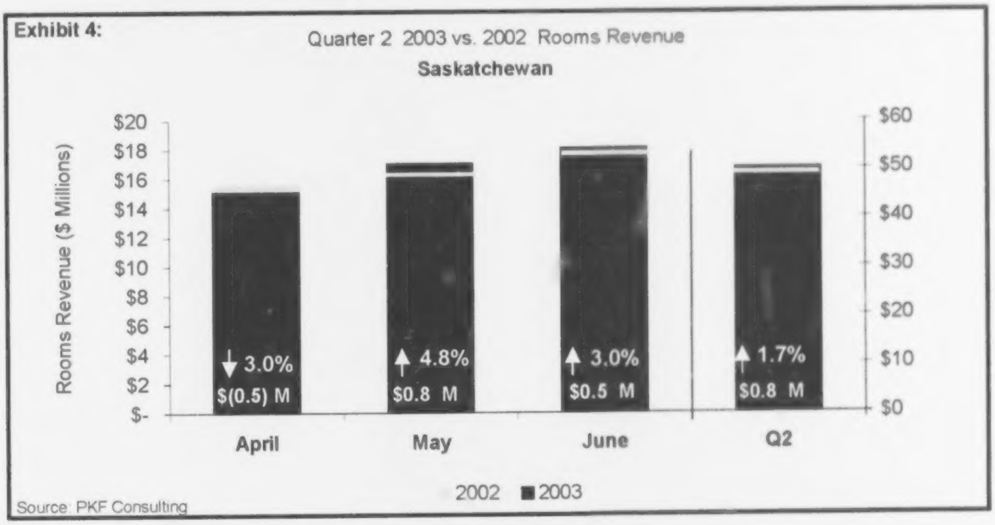
Saskatchewan

Source: PKF Consulting

Room Revenue

- While room revenue for the Province of Saskatchewan declined by 3.0% in April, May and June's results were positive, with month-end revenues increasing by 4.8% and 3.0% respectively.
- Overall, Quarter 2 room revenue was up by $840,000 (1.7%) compared to the same period last year. This improvement, together with strong Quarter 1 results, has resulted in year-to-date room revenue of $98.2 Million, a 5.2% improvement over the first half of last year.

Exhibit 4:



Quarter 2 2003 vs. 2002 Rooms Revenue

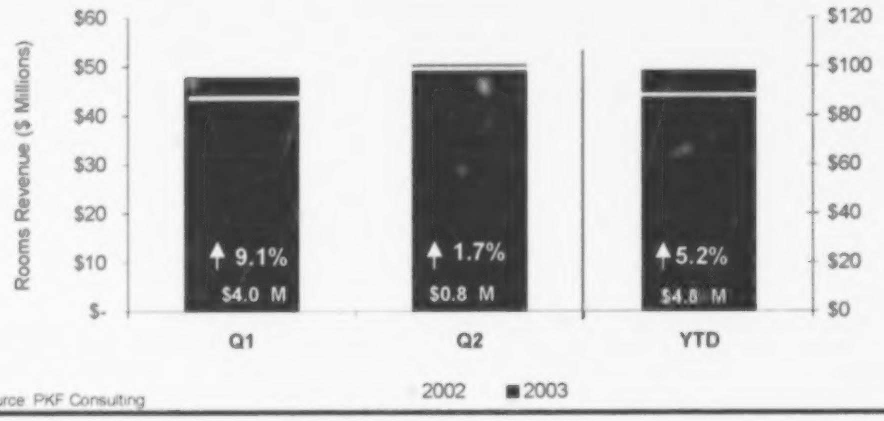
Saskatchewan

Source: PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Saskatchewan



Source: PKF Consulting

7.2 REGINA/SASKATOON

QUARTER 2 2003: RESULTS

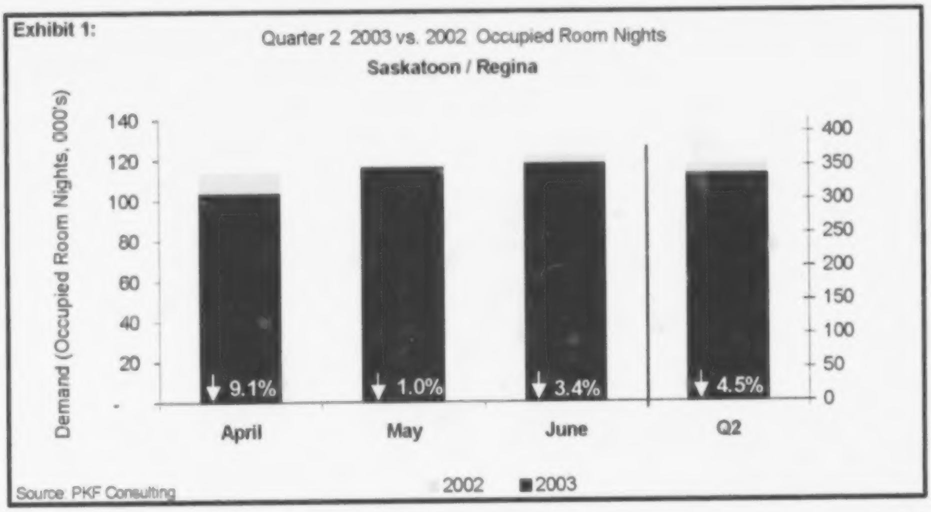
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Saskatoon and Regina hotel market was 6,085 rooms – flat from the prior year.

Demand

- During Quarter 2, the Saskatoon/Regina hotel market achieved a 61% occupancy at an average daily rate of $87.
- Demand for Saskatoon and Regina hotels **decreased by approximately 15,700 room nights or –4.5% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the sector was down by 9.1% in demand in April, followed by a decline of 1.0% in May and a further decline of 3.4% in June.

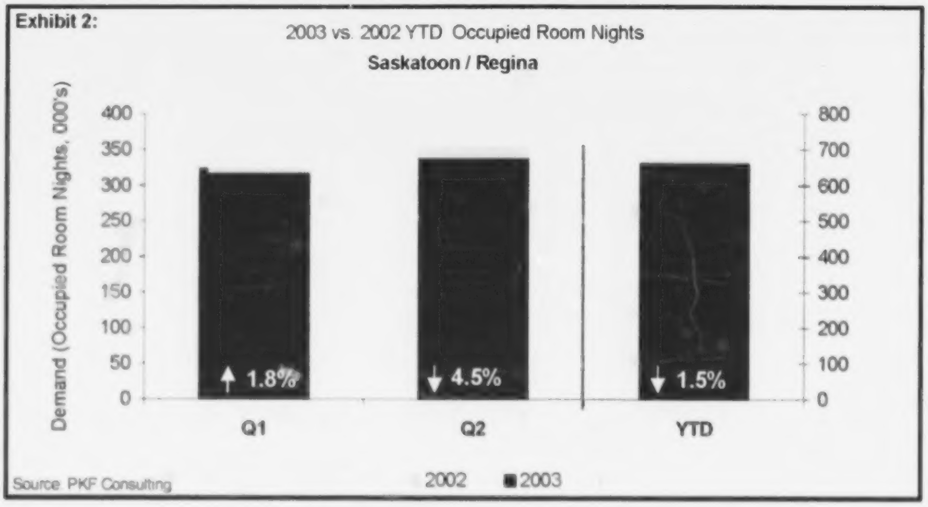
Exhibit 1:



Source: PKF Consulting

- During Quarter 1, demand for Regina and Saskatoon hotels was ahead by 1.8%, but the gains made in the first 3 months were offset by a decline of 4.5% in demand in Quarter 2, bringing year-to-date results for 2003 approximately 1.5% below results achieved in the first half of 2002.

Exhibit 2:

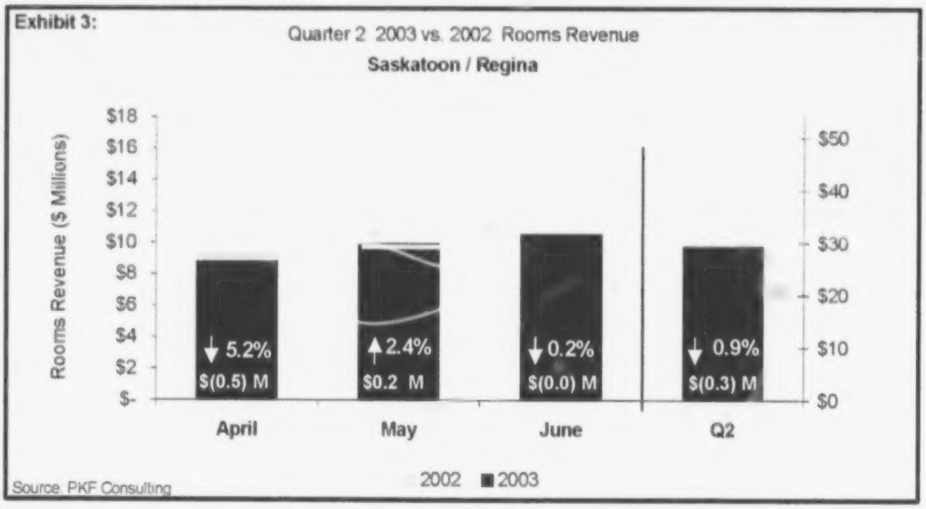


Source: PKF Consulting

Room Revenue

- Due to the decline in demand, Saskatoon and Regina suffered a loss of $482,000 in room revenue during the month of April, followed by a further loss of $238,000 in May, with June revenues comparable to last year.
- With losses in April and May, overall Quarter 2 room revenue was $266,000 (0.9%) less than the same period last year. Year-to-date room revenue is actually ahead by $1.9 Million (3.5%), due to a strong 1st Quarter performance.

Exhibit 3:

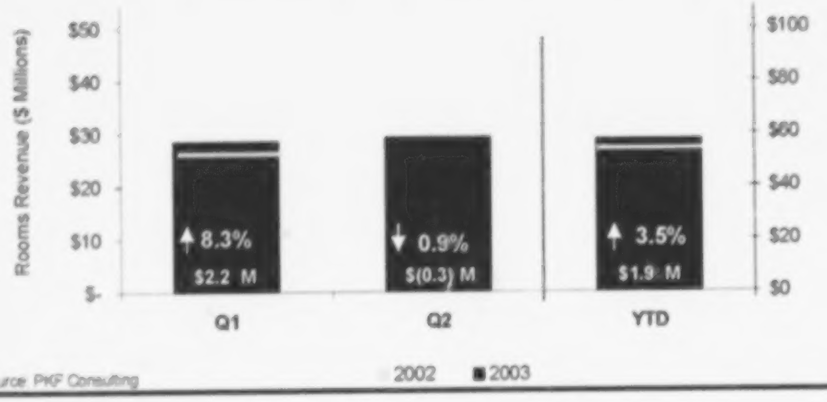


Source: PKF Consulting

Exhibit 4:

2003 vs. 2002 YTD Rooms Revenue

Saskatoon / Regina



Source: PKF Consulting

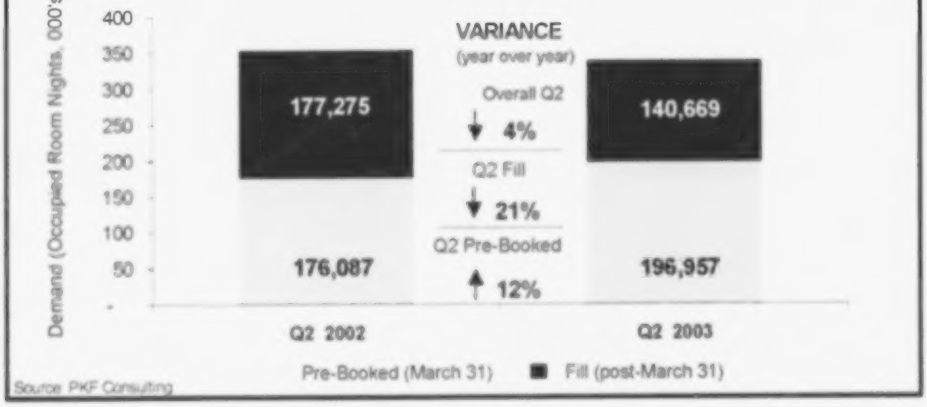
Budgets and PKF Outlook

- According to our PKF Outlook for the Saskatoon and Regina hotel markets, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 64% occupancy at an average daily rate of $85 in Quarter 2 2003.
- In preparing their operating budgets at the beginning of the year, Saskatoon and Regina hoteliers expected to achieve higher results than the PKF Outlook – 66% occupancy at a $87 ADR – by the end of the second quarter.
- Based on actual results, the industry missed their budgets by 5 percentage points in occupancy, but met their rate expectations in Quarter 2 2003.

Pre-Booked Business and Fill Rate

- As of March 31st, Saskatoon and Regina hoteliers had pre-booked close to 197,000 room nights for the upcoming months of April, May and June – 12% more room nights than were pre- booked over the same time frame last year.
- While there were more rooms "on the books" by the end of March, the fill rate for the sector fell by 21% this quarter, with only 141,000 room nights sold between April 1 and June 30, as opposed to over 177,000 last year.

Exhibit 5:



Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
Saskatoon / Regina

Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

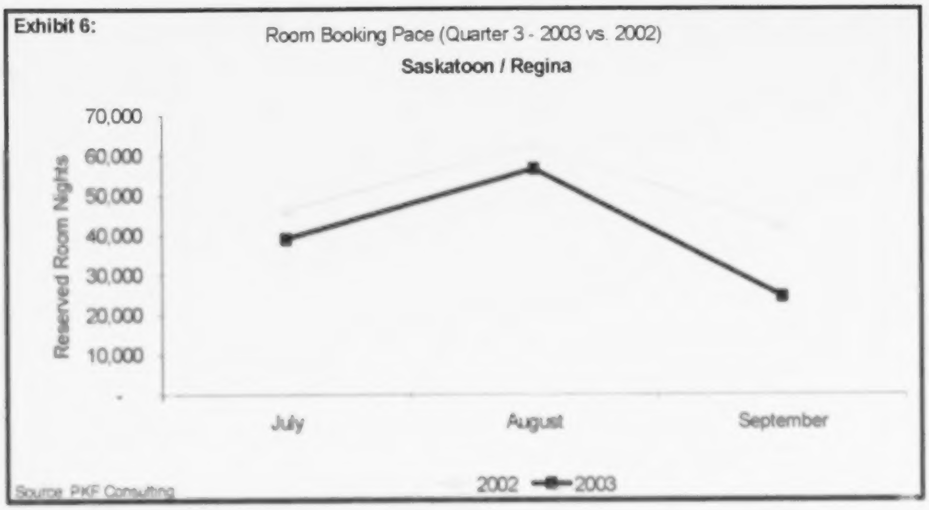
- The Saskatoon and Regina hotel sector attributed most of their decreased demand in Quarter 2 2003 to economic conditions (63%) and increased competition (23%).
- The segment responsible for the largest demand decrease was meetings and convention travel at 49%, followed by corporate travel at 19%.
- For the most part, hoteliers cited a decline in domestic travel as the main reason for the loss in business at 81% and a drop in US travel at 12%.
- Based on the hotel guest's primary mode of transportation used to arrive in Saskatoon/Regina, over ½ of the loss in Quarter 2 was attributable to a decline in automobile traffic, with a further 40% attributable to a loss in airline travellers.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 151,000 room nights or **42%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **120,000 room nights** of business was pre-booked for Quarter 3– which means that close to **31,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.
- This year's **Quarter 3 booking pace is down by 20%** in comparison to last year, a reversal of the situation heading into Quarter 2, when the pace was ahead by 12%.
- Looking ahead to the summer months, unless the infill pattern exceeds Quarter 2, Quarter 3 demand is also expected to be down.

Exhibit 6:



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

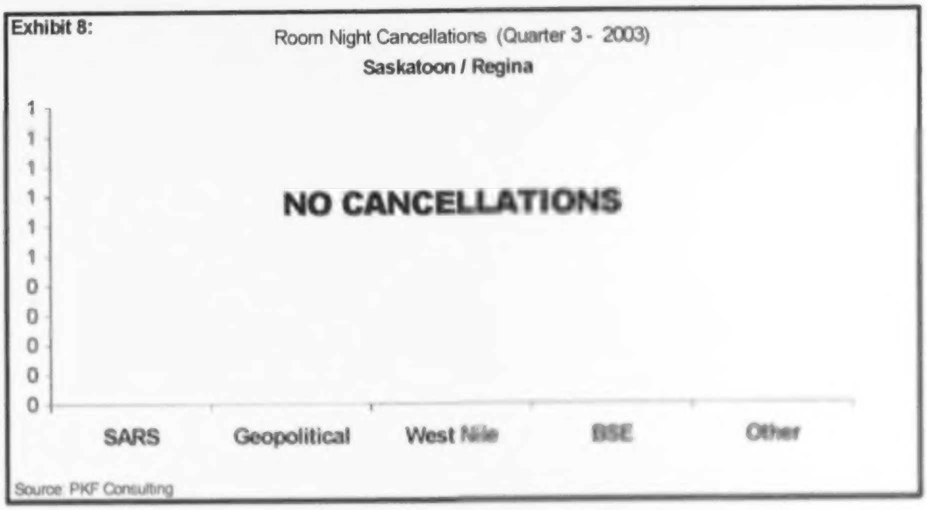
- The Saskatoon and Regina hotel sector do not report any room cancellations for Quarters 3 or 4, and hence did not suffer any room revenue losses due to SARS, geopolitical factors or BSE (Mad Cow disease).

Exhibit 7:
ROOM CANCELLATIONS

	Quarter 3	Quarter 4
Saskatoon/Regina	0	0
Cancelled Room Nights	0	0
Due to SARS	***0%***	***0%***
Cancelled Room Nights	0	0
Due to Geopolitical Reasons	***0%***	***0%***
Cancelled Room Nights	0	0
Due to West Nile Virus	***0%***	***0%***
Cancelled Room Nights	0	0
Due to BSE	***0%***	***0%***
Cancelled Room Nights	0	0
Due to Other Reasons	***0%***	***0%***

Source: PKF Consulting

Exhibit 8:

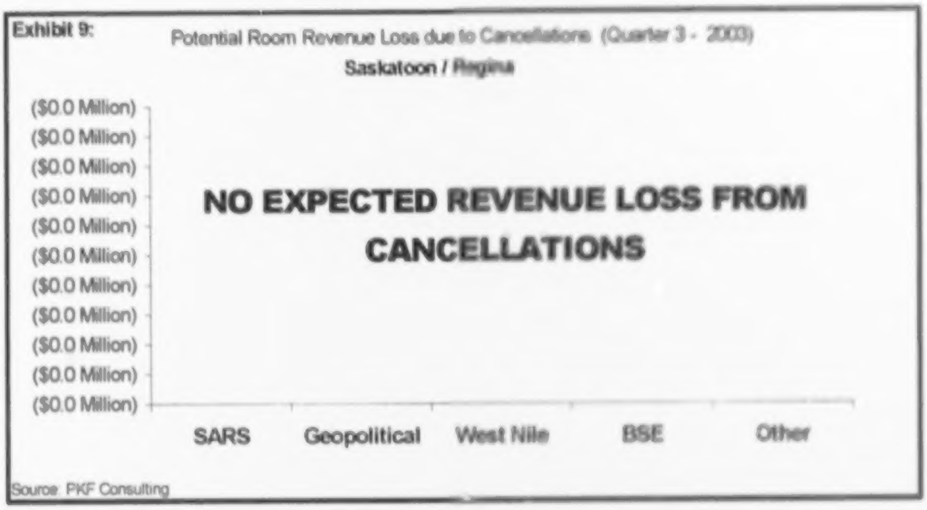

Room Night Cancellations (Quarter 3 - 2003)

Saskatoon / Regina

NO CANCELLATIONS

Source: PKF Consulting

Exhibit 9:


Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)

Saskatoon / Regina

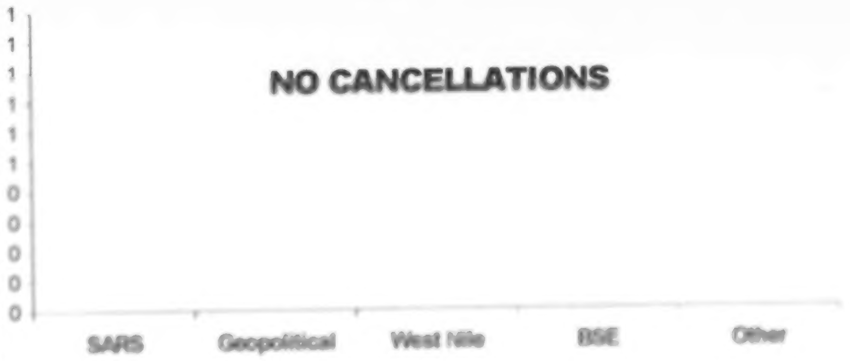
NO EXPECTED REVENUE LOSS FROM CANCELLATIONS

Source: PKF Consulting

Exhibit 10:

Room Night Cancellations (Quarter 4 - 2003)

Saskatoon / Regina

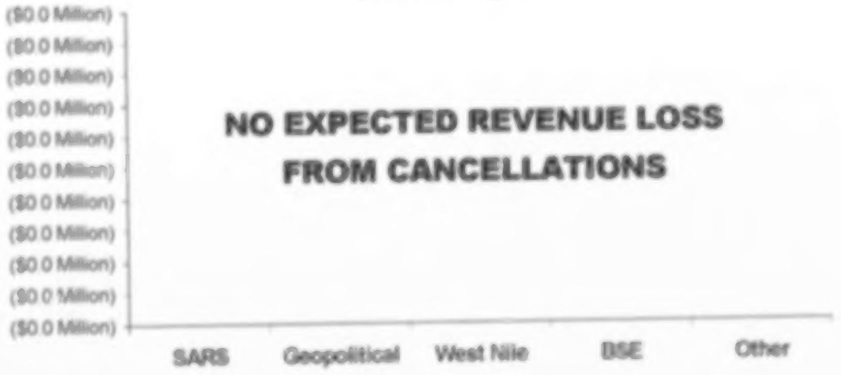


Source: PKF Consulting

Exhibit 11:

Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)

Saskatoon / Regina



Source: PKF Consulting

7.3 OTHER SASKATCHEWAN MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

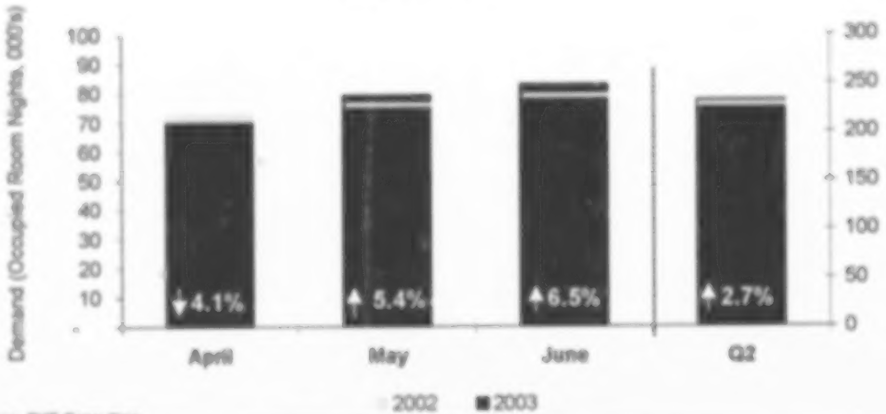
- Excluding the major markets of Saskatoon and Regina, the balance of Saskatchewan's accommodation market was 4,948 rooms in Quarter 2 2003 – with no new supply added since Quarter 2, 2002.

Demand and Rate

- During Quarter 2, the balance of Other Saskatchewan's hotel market achieved a 52% occupancy at an average daily rate of $78. Occupancy levels rose by 1% while the average daily rate was up by approximately $8 (10.8%).
- Demand for Saskatchewan hotels (excl. Saskatoon and Regina) was **up by approximately 6,100 room nights or 2.7% in Quarter 2 2003**, as compared to Q2 2002.
- On a month-to-month basis, demand for room nights in Other Saskatchewan decreased by 4.1%, before posting gains of 5.4% in May and 6.5% in June.

Exhibit 1:

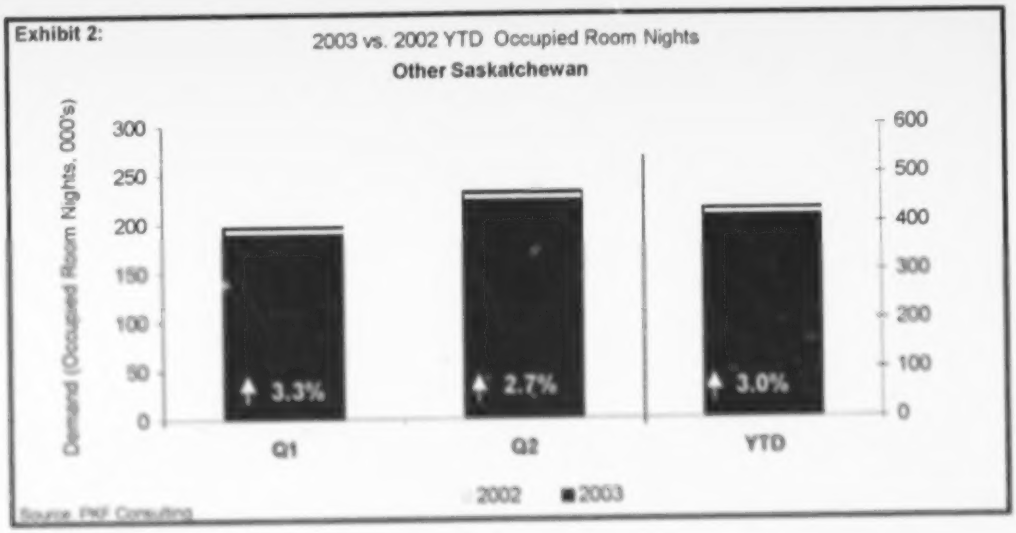
Quarter 2 2003 vs. 2002 Occupied Room Nights
Other Saskatchewan



Source: PKF Consulting

- Year-to-date, March and April were the only 2 months to show a decline over last year, with the other months posting gains ranging from 5 to 12%. Hence, year-to-date results for 2003 are 3.0% ahead of results achieved in the first half of 2002.

Exhibit 2:



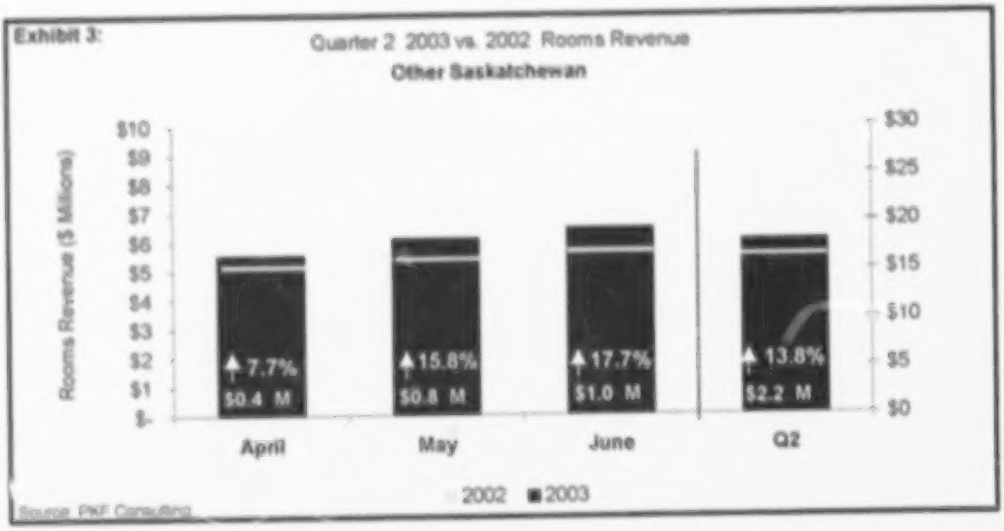
2003 vs. 2002 YTD Occupied Room Nights
Other Saskatchewan

Source: PKF Consulting

Room Revenue

- Room revenue for Other Saskatchewan properties has consistently shown improvement in Quarter 2 – up 7.7% in April, 15.8% in May and 17.7% in June.
- Overall, Quarter 2 room revenue is ahead by $2.2 Million (13.8%) compared to the same period last year, with year-to-date room revenue at $4.2 Million – 14.2% above last year's results for the first half.

Exhibit 3:



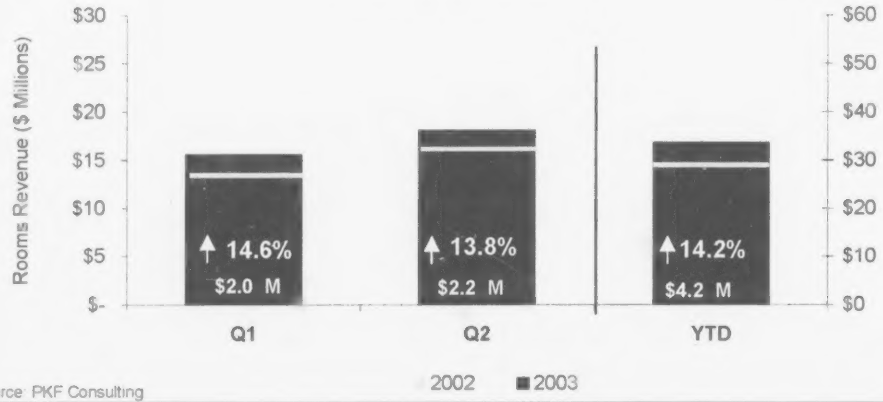
Quarter 2 2003 vs. 2002 Rooms Revenue
Other Saskatchewan

Source: PKF Consulting

Exhibit 4:

2003 vs. 2002 YTD Rooms Revenue

Other Saskatchewan



Source: PKF Consulting

8.0 ALBERTA PROVINCIAL/MARKET PERFORMANCE

8.1 PROVINCE OF ALBERTA (Excluding Resorts)

QUARTER 2 2003: RESULTS

Total Provincial Supply Inventory

- Including the markets of Calgary, Edmonton and Other Alberta, Alberta's non-resort accommodation market averaged 40,663 rooms in Quarter 2 2003 – a 1.9% increase over the same period in 2002, due to the addition of 760 new rooms in the province of Alberta.
- In line with PKF's *Trends in the Hotel Industry, National Market Report*, Alberta Resorts, which comprise approximately 25% of the province's accommodation supply at 10,540 rooms, have not been included in the provincial summary of Quarter 2 results, as the higher average daily rate of this market skews the overall provincial results. However, a separate analysis of the Alberta Resort sector has been included within this section of the report.

Provincial Demand and Rate

- During Quarter 2, Alberta's hotel market achieved a 63% occupancy at an average daily rate of $96. Occupancy levels were down by 9 percentage points relative to Quarter 2 2002, while the average daily rate was stagnant.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Calgary	63%	$104	71%	$109	-11%	-5%
Edmonton	64%	$96	81%	$89	-20%	7%
Alberta Resorts	53%	$199	64%	$197	-16%	1%
Other Alberta	60%	$82	58%	$82	5%	0%
Alberta (ex.Resorts)	**63%**	**$96**	**72%**	**$96**	**-11%**	**0%**

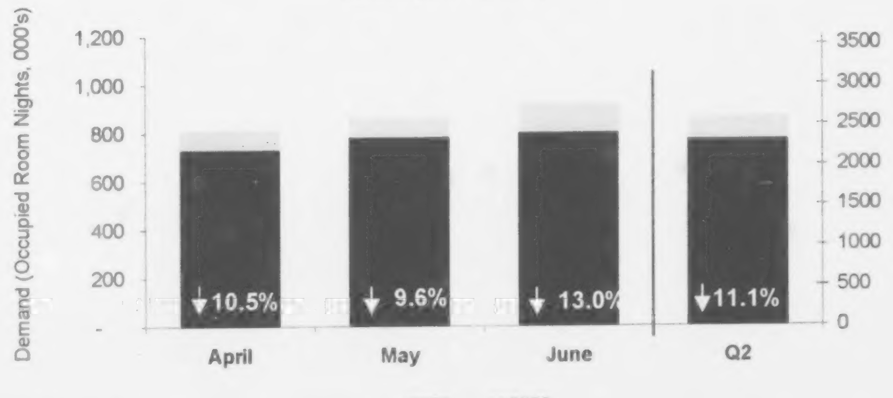
Source: PKF Consulting

- Demand for Alberta hotels was **down approximately 288,000 room nights or 11.1% in Quarter 2 2003**, as compared to the second quarter of 2002.

Exhibit 2:

Quarter 2 2003 vs. 2002 Occupied Room Nights

Alberta (excl Resorts)



Source: PKF Consulting

8.0 ALBERTA PROVINCIAL/MARKET PERFORMANCE

8.1 PROVINCE OF ALBERTA (Excluding Resorts)

QUARTER 2 2003: RESULTS

Total Provincial Supply Inventory

- Including the markets of Calgary, Edmonton and Other Alberta, Alberta's non-resort accommodation market averaged 40,663 rooms in Quarter 2 2003 – a 1.9% increase over the same period in 2002, due to the addition of 760 new rooms in the province of Alberta.
- In line with PKF's *Trends in the Hotel Industry, National Market Report*, Alberta Resorts, which comprise approximately 25% of the province's accommodation supply at 10,540 rooms, have not been included in the provincial summary of Quarter 2 results, as the higher average daily rate of this market skews the overall provincial results. However, a separate analysis of the Alberta Resort sector has been included within this section of the report.

Provincial Demand and Rate

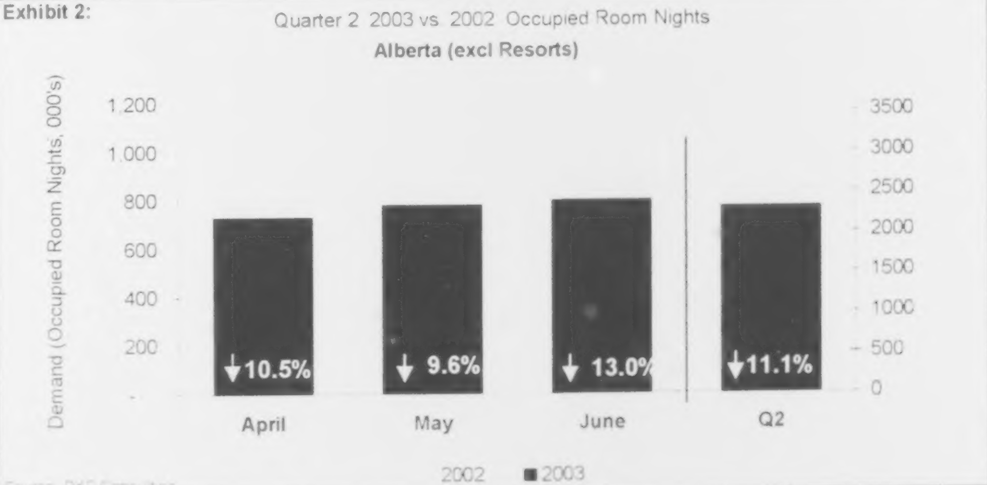
- During Quarter 2, Alberta's hotel market achieved a 63% occupancy at an average daily rate of $96. Occupancy levels were down by 9 percentage points relative to Quarter 2 2002, while the average daily rate was stagnant.
- Demand for Alberta hotels was **down approximately 288,000 room nights or 11.1% in Quarter 2 2003**, as compared to the second quarter of 2002.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Calgary	63%	$104	71%	$109	-11%	-5%
Edmonton	64%	$96	81%	$89	-20%	7%
Alberta Resorts	53%	$199	64%	$197	-16%	1%
Other Alberta	60%	$82	58%	$82	5%	0%
Alberta (ex.Resorts)	**63%**	**$96**	**72%**	**$96**	**-11%**	**0%**

Source: PKF Consulting

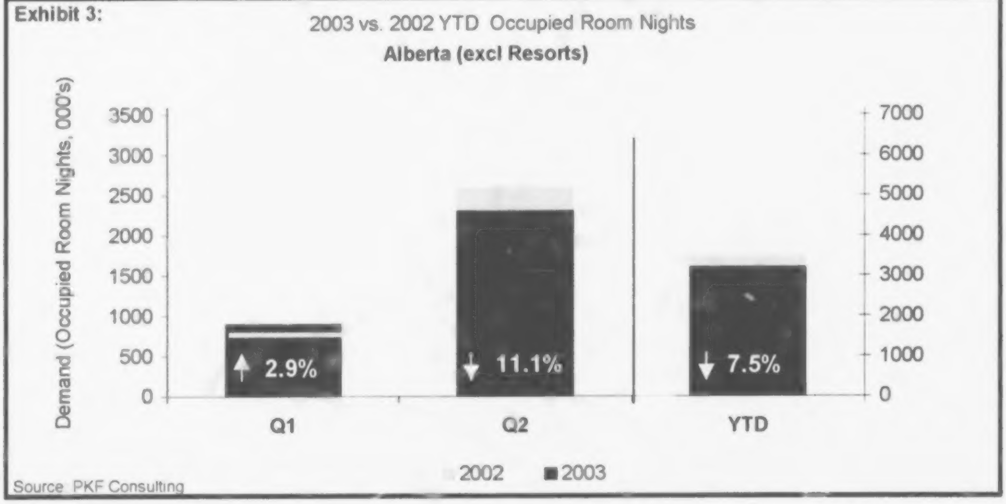
Exhibit 2:



Source: PKF Consulting

- On a month-to-month basis, demand was down by nearly 11% in April, 10% in May and off by 13% in June, compared to last year.
- While demand was up by 2.9% at the end of Quarter 1, Quarter 2 results showed a decline of 11.1%, placing year-to-date results for 2003 7.5% below results achieved in the first half of 2002.

Exhibit 3:

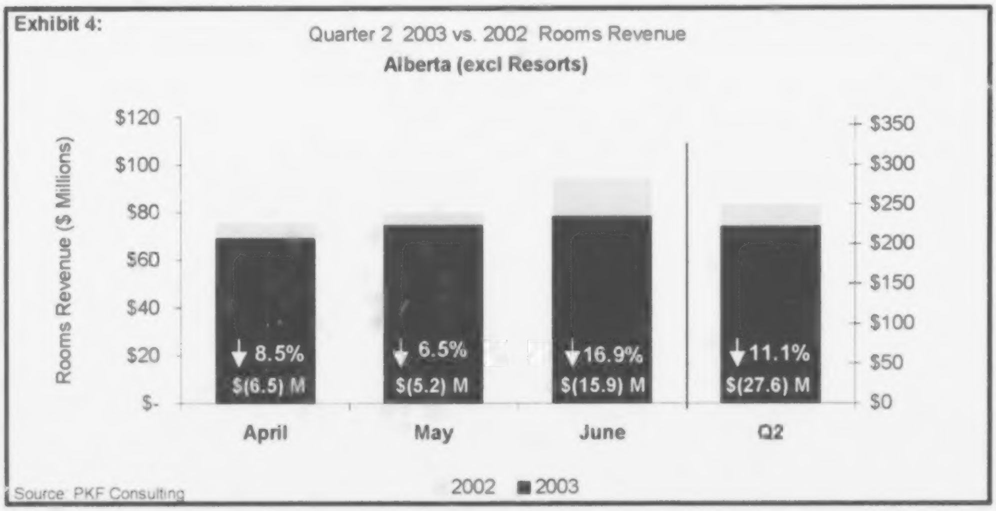


Source PKF Consulting

Room Revenue

- The Province of Alberta's room revenue declined by 8.5% in April and 6.5% in May, with a considerable 16.9% loss experienced in June.
- Overall, Quarter 2 room revenue was down by $27.6 Million (11.1%) compared to the same period last year, bringing the year-to-date loss to 6.2% below last year's performance – a loss of $27.7 Million.

Exhibit 4:

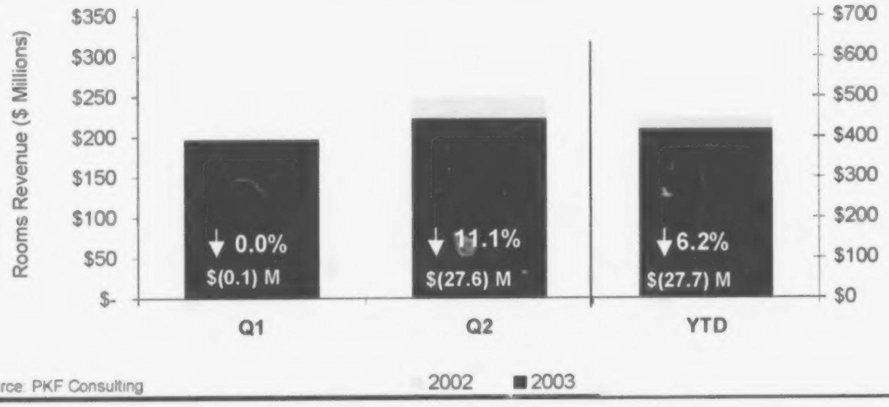


Source PKF Consulting

Exhibit 5:

2003 vs. 2002 YTD Rooms Revenue

Alberta (excl Resorts)



Source: PKF Consulting

8.2 CALGARY

QUARTER 2 2003: RESULTS

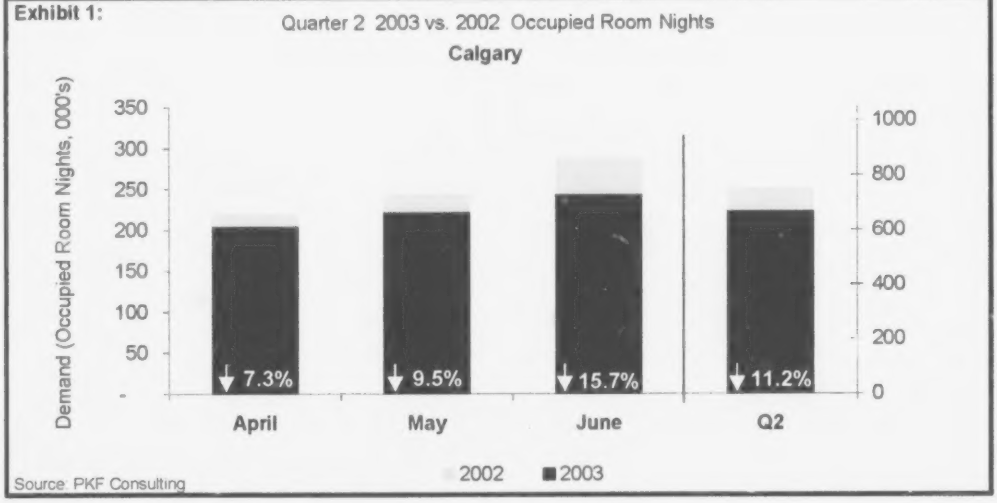
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Calgary market was 11,666 rooms – 50 rooms fewer than last year.

Demand

- During Quarter 2, the Calgary hotel market achieved a 63% occupancy at an average daily rate of $104.
- Demand for Calgary hotels **decreased by approximately 84,705 room nights or –11.2% in Quarter 2 2003**, as compared to the second quarter of 2002.
- Second quarter results were consistently worse each month-- the industry was down by 7.3% in demand in April, followed by a decline of 9.5% in May and a further decline of 15.7% in June.

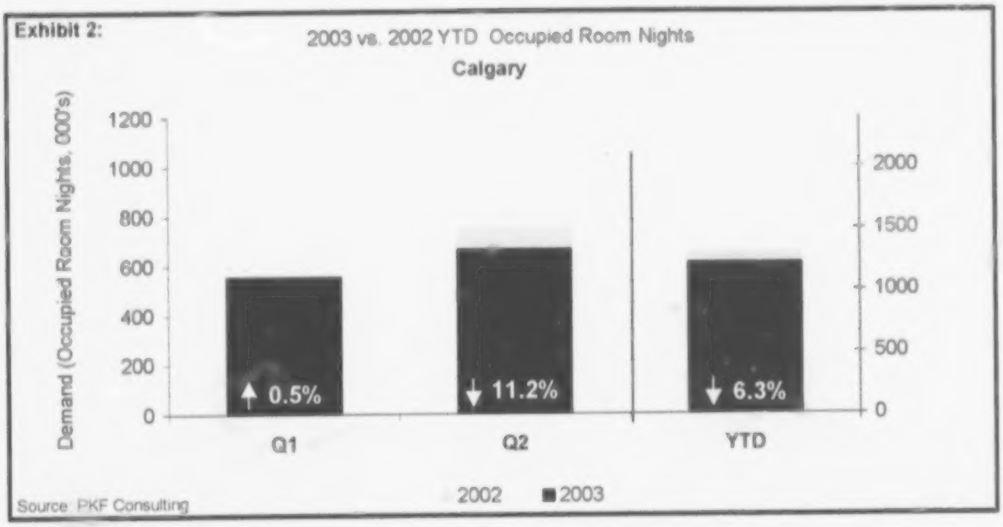
Exhibit 1:



Source: PKF Consulting

- Demand during Quarter 1 was basically flat (up by 0.5%), while Quarter 2 experienced a significant attrition in demand (11.2%), causing year-to-date results for 2003 to be 6.3% below results achieved in the first half of 2002.

Exhibit 2:

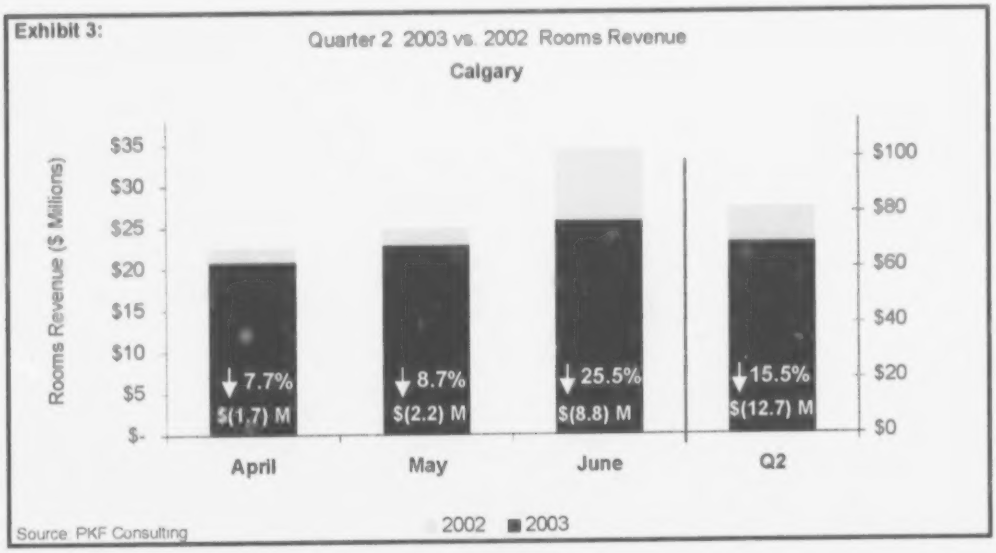


Source: PKF Consulting

Room Revenue

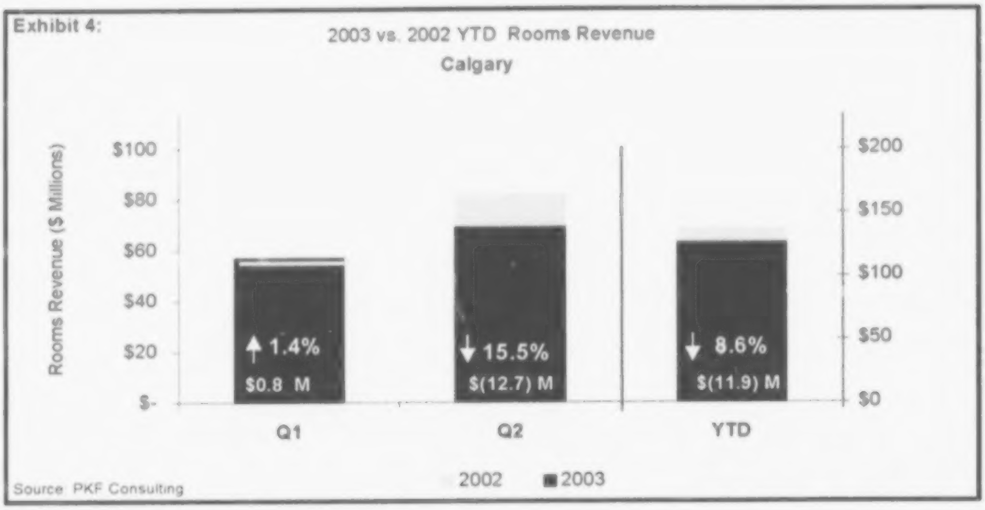
- While Calgary suffered a loss of $1.7 Million in room revenue during the month of April, followed by a further loss of $2.2 Million in May and $8.8 in the month of June, in comparison to last year.
- With consecutive losses each month in the 2nd quarter, room revenue was down by 15.5% for the quarter – a loss of $12.7 Million. Year-to-date room revenue is behind by $11.9 Million.

Exhibit 3:



Source: PKF Consulting

Exhibit 4:



Source: PKF Consulting

Budgets and PKF Outlook

- According to our PKF Outlook for the Calgary hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Calgary hotel market was forecast to achieve a 72% occupancy at an average daily rate of $110 in Quarter 2 2003.

- In preparing their operating budgets at the beginning of the year, Calgary hotel operators expected to achieve lower occupancy results than the PKF Outlook – 69% occupancy — at the same rate as PKF -- $110 – by the end of the second quarter.

- Based on actual Quarter 2 results, the industry missed their budgets by 6 percentage points in occupancy, and $6 in rate.

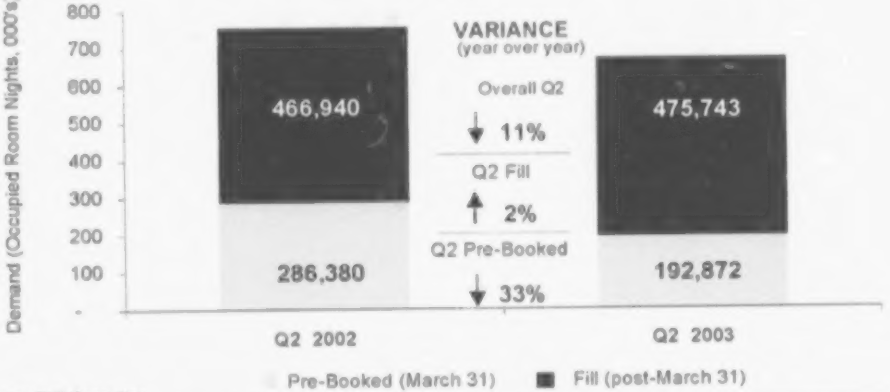
Pre-Booked Business and Fill Rate

- As of March 31st, Calgary hoteliers had pre-booked close to 193,000 room nights for the upcoming months of April, May and June – 33% fewer room nights than were pre-booked over the same time frame last year.

- Overall Quarter 2 demand was down by 11% in 2003, and the fill rate for the industry (post March 31st) improved by approximately 2% this quarter, with just under 476,000 room nights sold between April 1 and June 30, compared to 467,000 last year.

Exhibit 5:

Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
Calgary



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

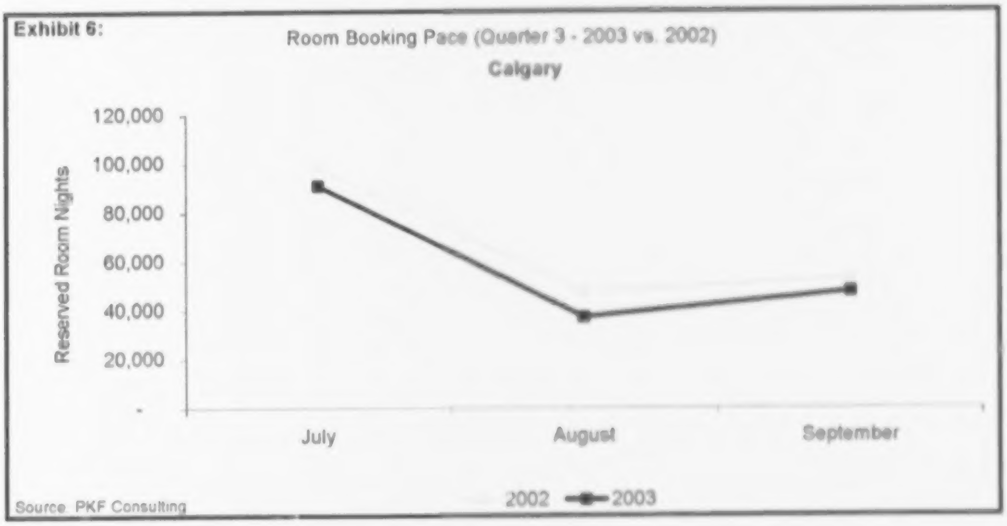
- The Calgary hotel industry attributed most of their softer demand in Quarter 2 2003 to local, regional and national economic conditions (57%) and SARS (17%).
- The segment responsible for the largest decline in demand was business travel at 46% , followed by group leisure business (21%) and independent travel third at 17%.
- Furthermore, the industry citied domestic and US travel as the main origin of this erosion in business at 45% and 40%, respectively.
- Based on the hotel guest's primary mode of transportation used to arrive in Calgary, approximately 62% of the loss in Quarter 2 was attributable to a decline in air traffic, with a further 30% attributable to a loss in automobile travellers.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 199,090 room nights or **25%** of July, August and September 2002's business was pre-booked. In comparison, as of June 30, 2003, 176,050 room nights was "on the books" for Quarter 3 –in other words, **23,000 fewer room nights are pre-booked for Quarter 3 this year**, as compared to the same period last year.
- This year's Quarter 3 booking pace is off by 12% in comparison to 2002, which is not as bad as the 33% decline in pace heading into Quarter 2.
- Looking ahead to the summer months, Quarter 3 demand is also expected to be down.

Exhibit 6:



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

- The Calgary hotel sector only reported about 230 room cancellations for Quarter 3 2003, with no cancellations for Quarter 4. In comparison, Quarter 1 cancellations reached 13,600 room nights, with Quarter 2 cancellations at an estimated 11,300.
- Hotel operators attributed all of the 3rd Quarter room cancellations to SARS.
- In Quarter 3 2003, the **potential room revenue** loss due to room cancellations in the Calgary market is estimated at **$26,000**. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.

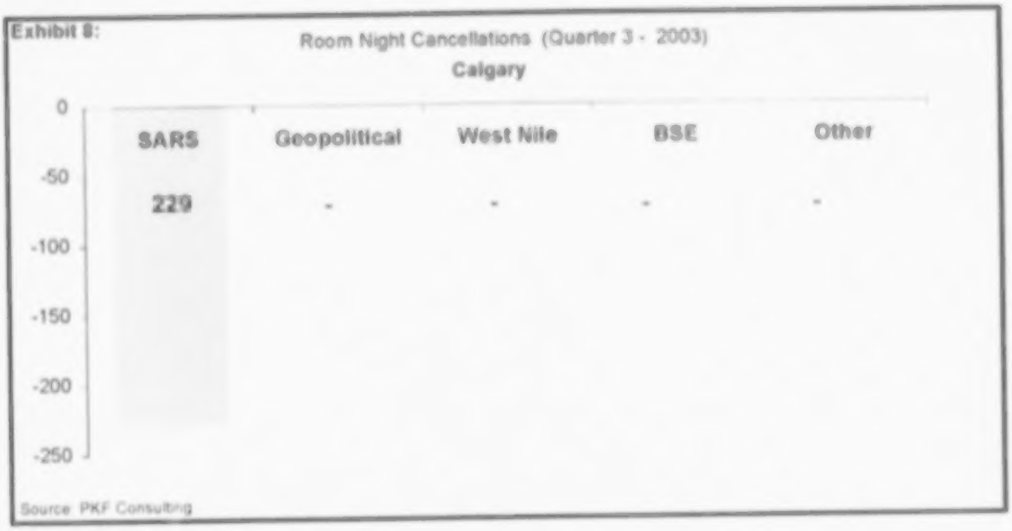
Exhibit 7.
ROOM CANCELLATIONS

	Quarter 3	Quarter 4
Calgary	229	0
Cancelled Room Nights *Due to SARS*	229 ***100%***	0 ***0%***
Cancelled Room Nights *Due to Geopolitical Reasons*	***0%***	0 ***0%***
Cancelled Room Nights *Due to West Nile Virus*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to BSE*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to Other Reasons*	0 ***0%***	0 ***0%***

Source: PKF Consulting

Exhibit 8:

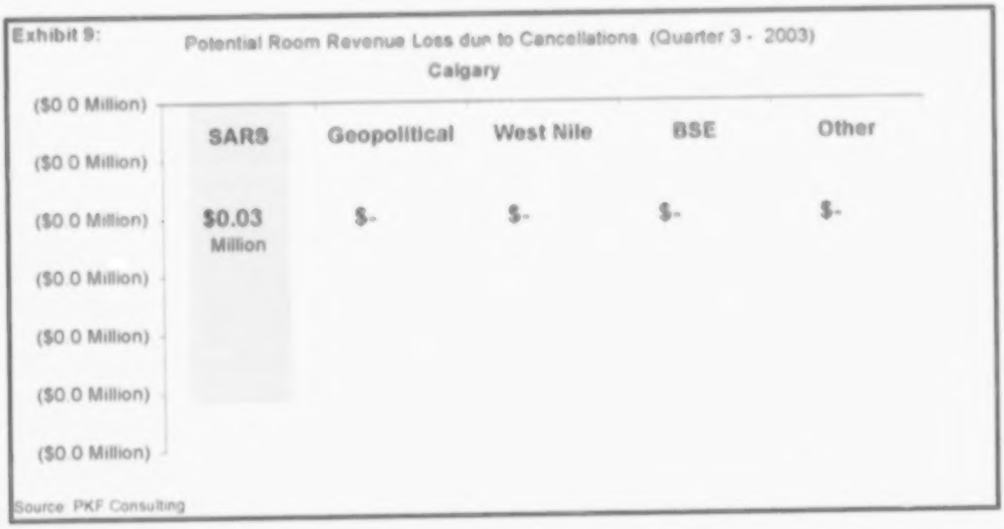
Room Night Cancellations (Quarter 3 - 2003)
Calgary



Source PKF Consulting

Exhibit 9:

Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)
Calgary



Source PKF Consulting

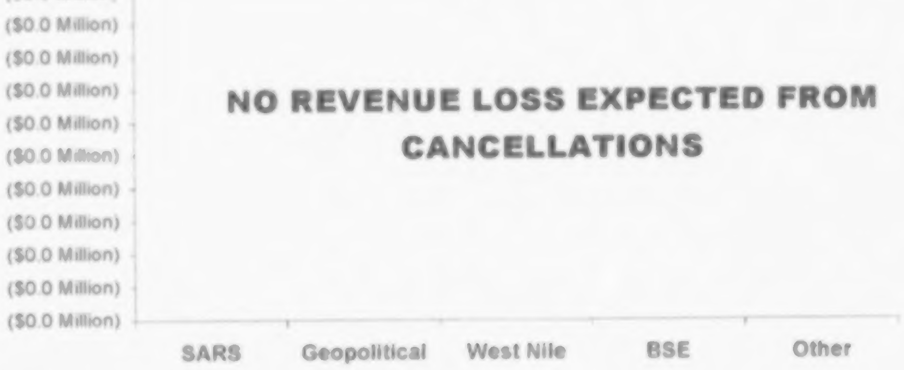
Exhibit 10:

Room Night Cancellations (Quarter 4 - 2003)
Calgary

Source: PKF Consulting

Exhibit 11:

Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)
Calgary



Source: PKF Consulting

8.3 EDMONTON

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

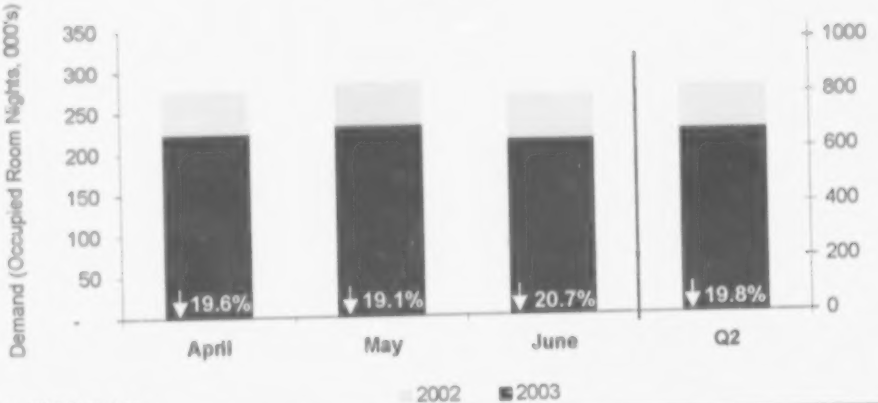
- In Quarter 2 2003, the overall inventory of hotel rooms in the Edmonton market was 11,511 rooms – a 2.3% increase in inventory compared to the 2nd Quarter of 2002.

Demand

- During Quarter 2, the Edmonton hotel market achieved a 64% occupancy at an average daily rate of $96.
- Demand for Edmonton hotels **decreased by close to 20% in Quarter 2 2003 – a loss of approximately 165,000 room nights**, as compared to the 2nd Quarter of 2002. This sharp decline in demand was attributable to the conclusion of the 2001/02 phase of the Shell Athabasca project. The use of commercial accommodation for this project commenced in November 2001 and continued into the late summer months of 2002.
- On a month-to-month basis, Edmonton's hotel sector was consistently down by 19 to 21% in each of April, May and June 2003.

Exhibit 1:

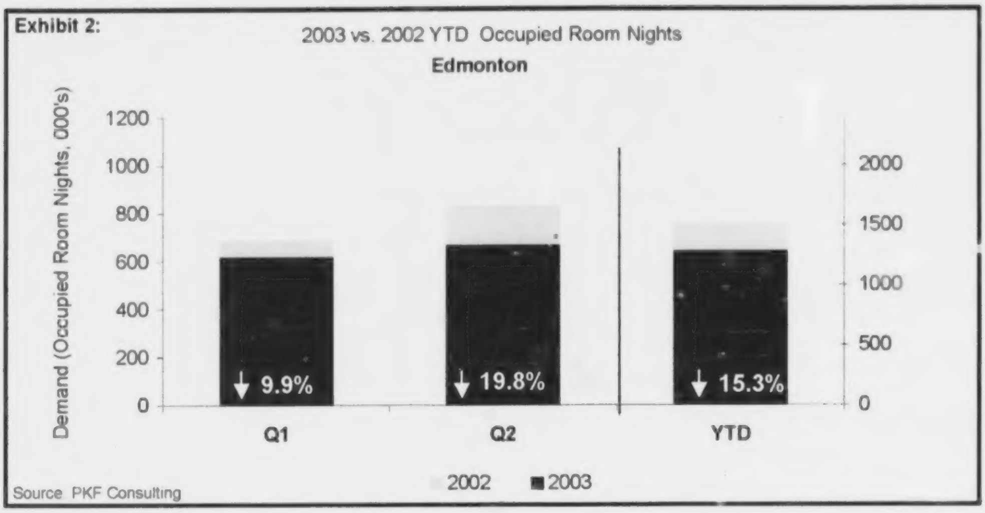
Quarter 2 2003 vs. 2002 Occupied Room Nights
Edmonton



Source: PKF Consulting

- Demand was behind by close to 10% at the end of Quarter 1, with a further slide of close to 20% in Quarter 2, bringing year-to-date results for 2003 15.3% below results achieved in the first half of 2002. This represents 232,500 fewer room nights sold, in comparison to the first six months of 2002.

Exhibit 2:

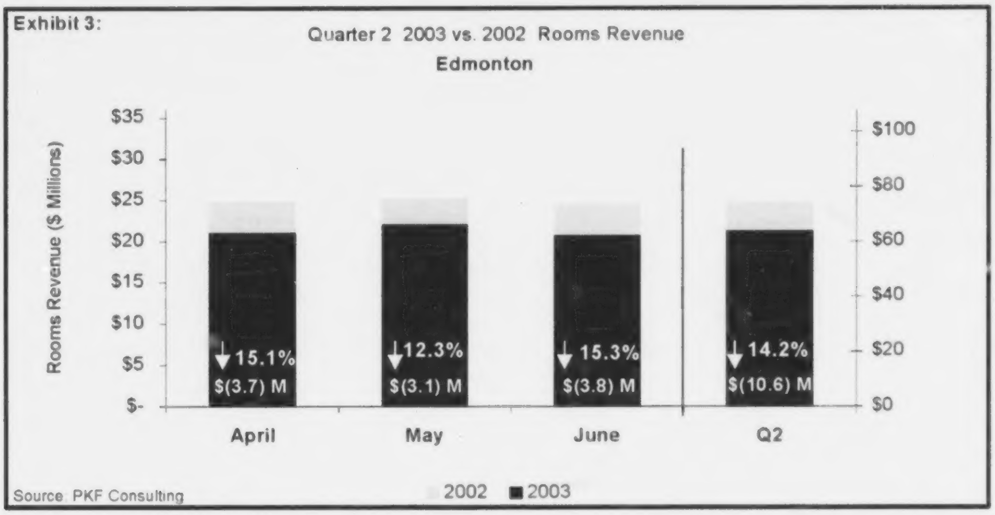


Source: PKF Consulting

Room Revenue

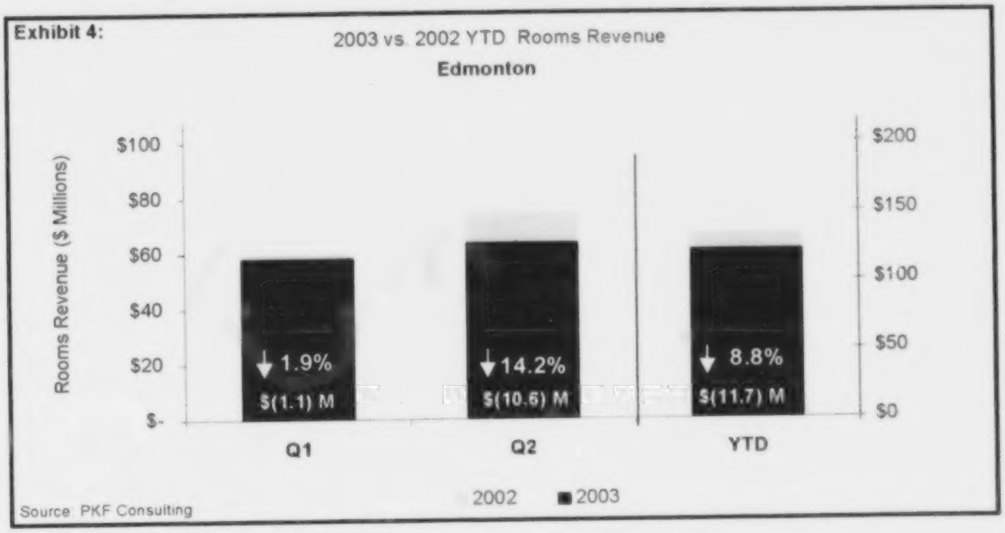
- Edmonton's room revenue declined by 15.1% in April , 12.3% in May, and 15.3% in June.
- Overall, 2nd Quarter room revenue was down by $10.6 Million (14.2%) compared to the same period last year, reducing year-to-date room revenue by 8.8% – $11.7 Million below 2002 results.

Exhibit 3:



Source: PKF Consulting

Exhibit 4:



Source: PKF Consulting

Budgets and PKF Outlook

- According to our PKF Outlook for the Edmonton hotel market, prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Edmonton hotel market was forecast to achieve a 75% occupancy at an average daily rate of $93 in Quarter 2 2003.

- In preparing their operating budgets at the beginning of the year, Edmonton hotel operators expected to achieve lower occupancy results than the PKF Outlook – 71% occupancy —at a higher rate than PKF – $97 – in the second quarter.

- Based on actual results, the industry missed their budgets by 7 percentage points in occupancy, and $1 in rate in Quarter 2 2003. While Edmonton hoteliers may have been optimistic regarding the replacement of crew demand associated with the Shell Athabasca project in Q2 2003, the market was able to achieve higher rates in the absence of this high-volume, low-rate contracted business.

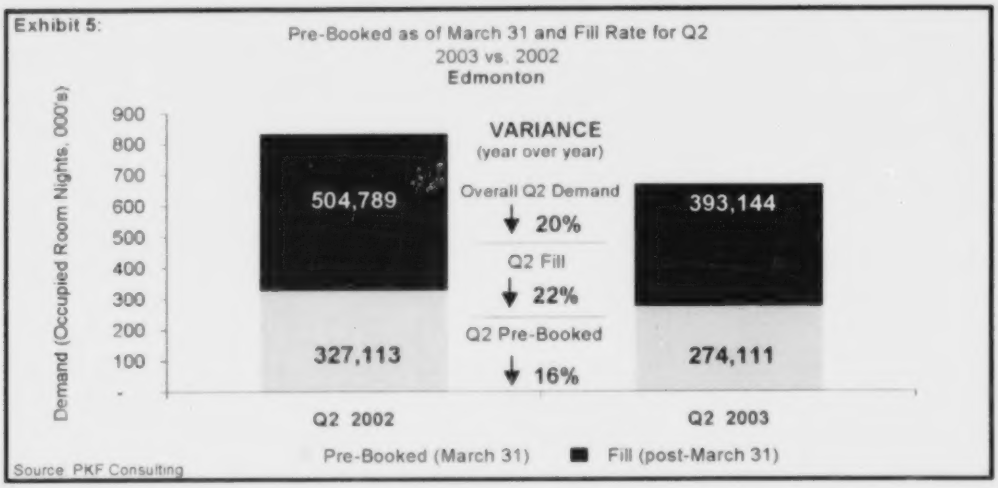
Pre-Booked Business and Fill Rate

- As of March 31st, Edmonton hoteliers had pre-booked over 274,100 room nights for the upcoming months of April, May and June – 16% less room nights than were pre- booked over the same time frame last year.

- Overall Edmonton's Quarter 2 demand was down by 20% in 2003, while the fill rate for the market was down by 22%, with only 393,000 room nights sold between April 1 and June 30, as opposed to 505,000 last year.

- While SARS and geopolitical factors may have impacted the pre-booking pace somewhat, the decline in both the pre-booking pace and fill rate for the 2nd Quarter this year was largely due to the completion of the Shell Athabasca project.

Exhibit 5:



Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
Edmonton

Source PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

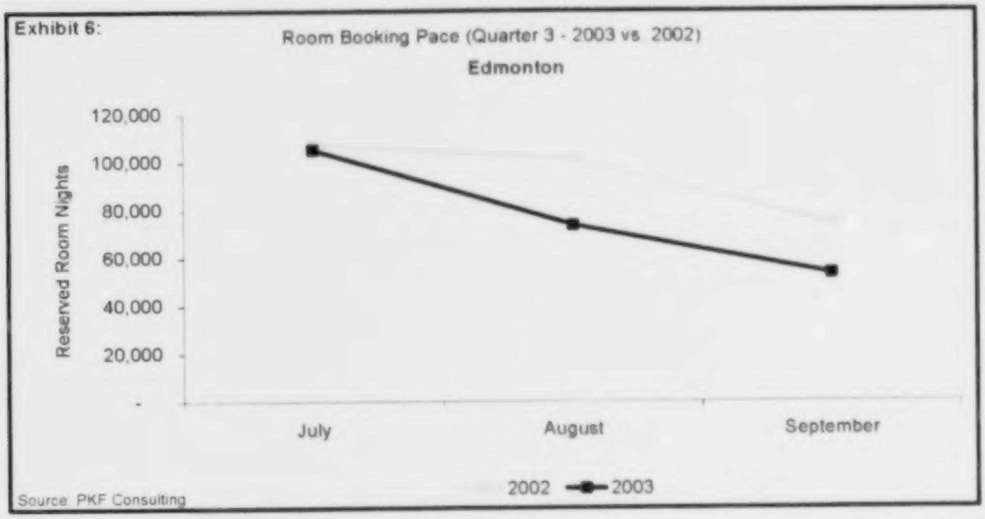
- The Edmonton hotel industry attributed most of their decreased demand in Quarter 2 2003 to "other reasons" (32%) and local, regional, national and economic conditions (31%).
- Approximately 28% of the demand loss in Quarter 2 2003 was due to the slow down in meeting/convention demand, with a further 24% attributable to fewer corporate travellers.
- Edmonton's accommodation industry attributed the majority of the reduction in demand to domestic travellers (80%).
- Based on the hotel guest's primary mode of transportation used to arrive in Edmonton, approximately 55% of the loss in Quarter 2 was attributable to a decline in automobile traffic, with a further 34% attributable to a loss in airline travellers.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 284,000 room nights or **35%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **232,580 room nights** of business were pre-booed for Quarter 3 –meaning that approximately **53,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.
- This year's Quarter 3 booking pace is off by 18% in comparison to 2002.
- From a month-by-month perspective, although the Edmonton hotel sector was only 2% off in pre-booked business for June 2003, August was off by 27% and September was off by 28% in comparison to 2002.
- Unless the last minute infill factor is very strong, Quarter 3 demand is also expected to be down.

Exhibit 6:


Room Booking Pace (Quarter 3 - 2003 vs. 2002)
Edmonton

Source: PKF Consulting

Q3 & Q4 - Room Cancellations

- The Edmonton hotel sector reported over 5,100 cancellations during Quarter 3, with a further 6,500 cancelled in Quarter 4 2003.
- According to hotel operators, all Quarter 3 and 4 cancellations have been attributable to SARS.
- The **potential room revenue loss** due to room cancellations are estimated at **$479,000 in Quarter 3 and $637,000 in Quarter 4.**
- At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.

Exhibit 7
ROOM CANCELLATIONS

	Quarter 3	Quarter 4
Edmonton	5,138	6,545
Cancelled Room Nights *Due to SARS*	5,138 ***100%***	6,545 ***100%***
Cancelled Room Nights *Due to Geopolitical Reasons*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to West Nile Virus*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to BSE*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to Other Reasons*	0 ***0%***	0 ***0%***

Source: PKF Consulting

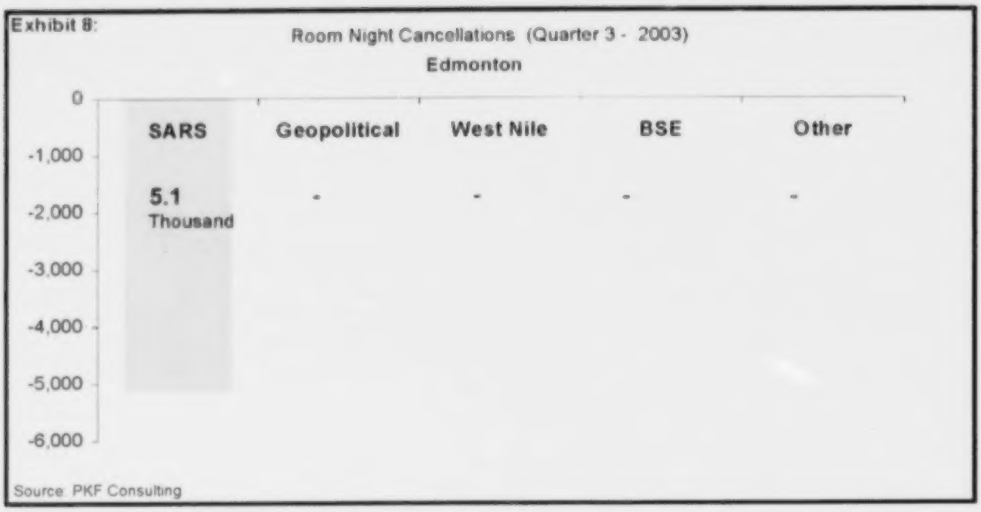


Exhibit 8:

Room Night Cancellations (Quarter 3 - 2003)
Edmonton

Source: PKF Consulting

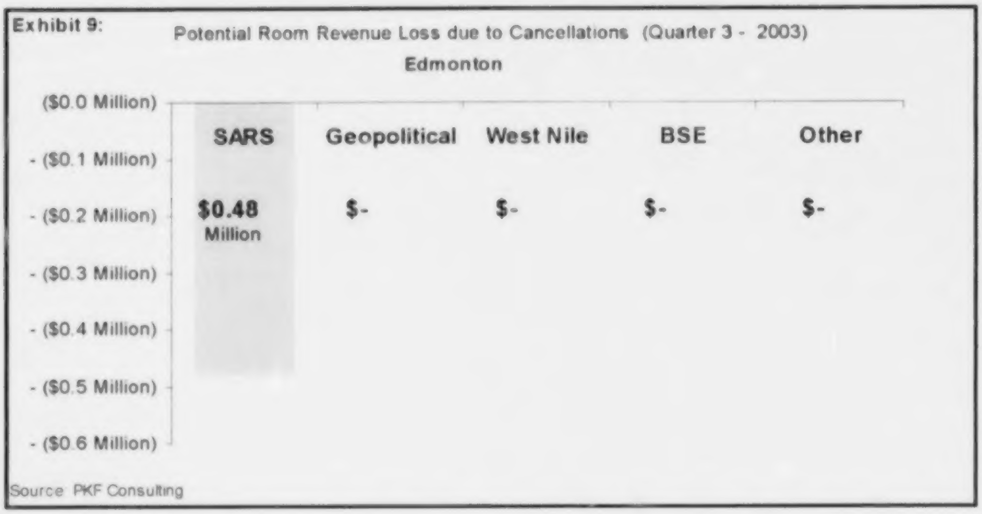


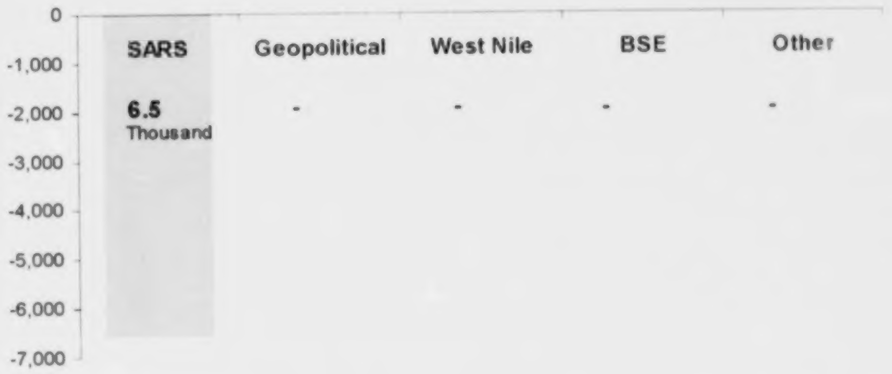
Exhibit 9:

Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)
Edmonton

Source: PKF Consulting

Exhibit 10:

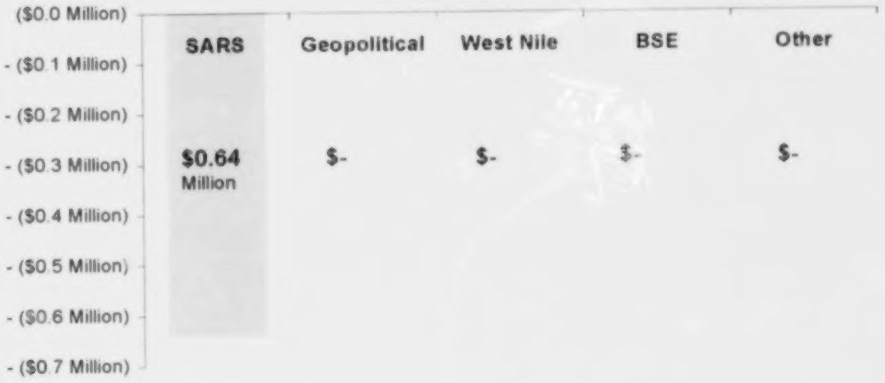
Room Night Cancellations (Quarter 4 - 2003)
Edmonton



Source: PKF Consulting

Exhibit 11:

Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)
Edmonton



Source: PKF Consulting

8.4 ALBERTA RESORTS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Alberta Resort market was 10,540 rooms – a 0.9% increase over the same period in 2002, with the addition of 94 rooms to Alberta's resort inventory.

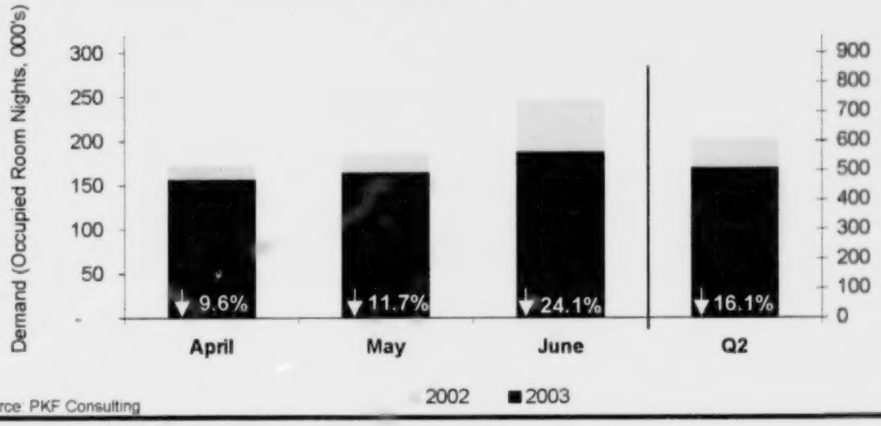
Demand

- During Quarter 2, the Alberta Resort market achieved a 53% occupancy at an average daily rate of $199.
- Demand for Alberta Resorts **decreased by almost 98,000 room nights or 16.1% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the industry was down by 9.6% in demand in April, followed by a decline of 11.7% in May and a further decline of 24.1% in June.

Exhibit 1:

Quarter 2 2003 vs. 2002 Occupied Room Nights

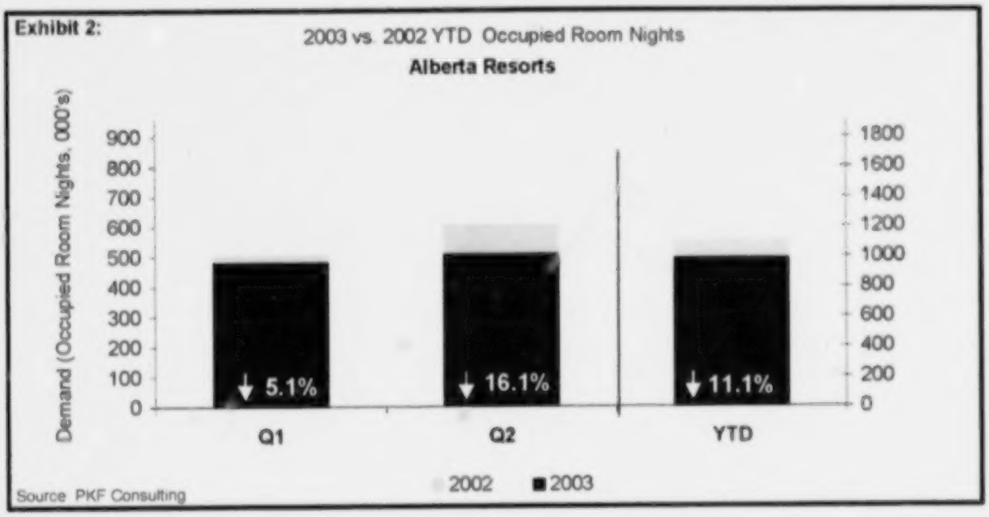
Alberta Resorts



Source: PKF Consulting

- With demand down by 5.1% at the end of Quarter 1 and Quarter 2 results showing a further decline of 16.1%, the **year-to-date results for 2003 are 11.1% below results achieved in the first half of 2002.**

Exhibit 2:



2003 vs. 2002 YTD Occupied Room Nights

Alberta Resorts

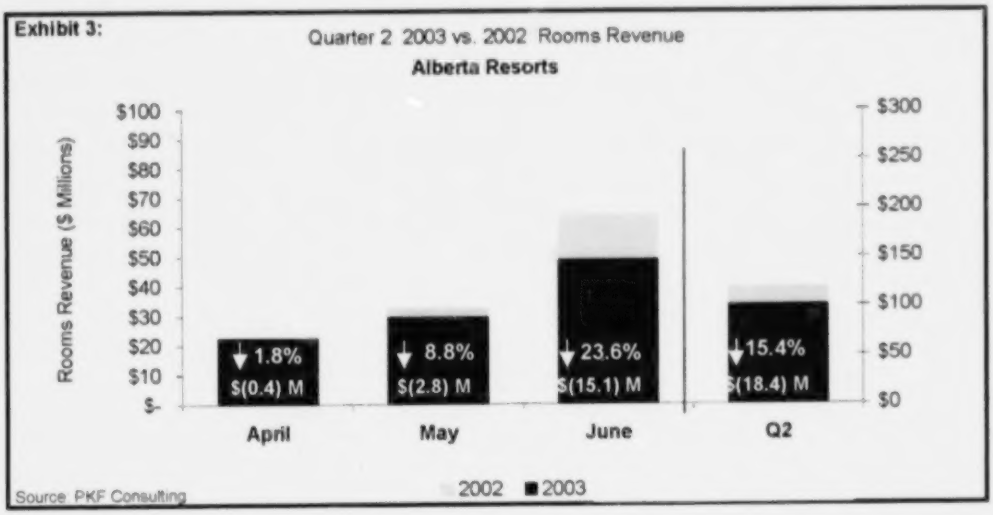
Source: PKF Consulting

Room Revenue

- There has been an exponential decline in room revenue amongst Alberta Resorts in Quarter 2 -- April room revenues were off by 1.8%; May was off by 8.8%; and June recorded a 23.6% decline.

- Overall, Quarter 2 room revenue was down by $18.4 Million (15.4%) compared to the same period last year. Given the fact that room revenues were actually ahead of last year by the end of Quarter 1, year-to-date room revenue is currently behind by 7.7% -- $14.9 Million below last year's results.

Exhibit 3:



Quarter 2 2003 vs. 2002 Rooms Revenue

Alberta Resorts

Source: PKF Consulting

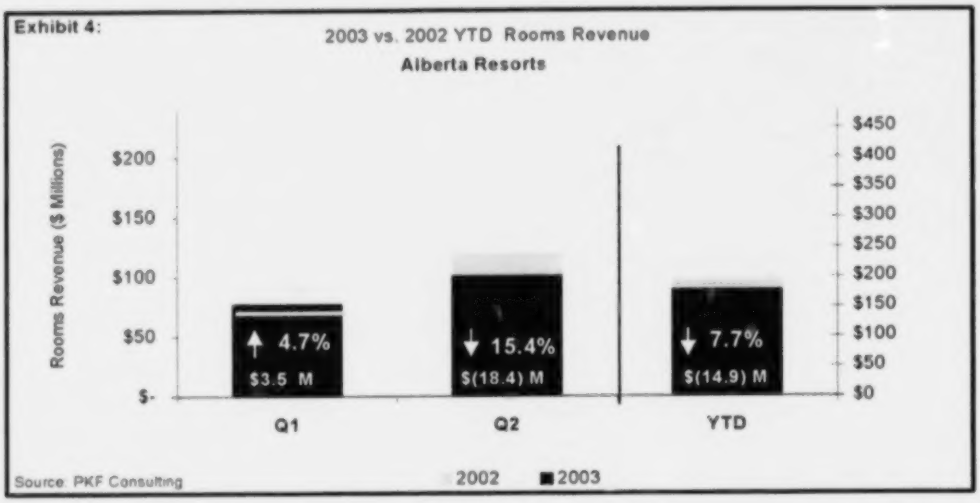


Exhibit 4:

2003 vs. 2002 YTD Rooms Revenue
Alberta Resorts

Source: PKF Consulting

Budgets and PKF Outlook

- According to our PKF Outlook for the Alberta Resort market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), Alberta Resorts were forecast to achieve a 64% occupancy at an average daily rate of $201 in Quarter 2 2003.

- In preparing their operating budgets at the beginning of the year, Alberta resort operators expected to achieve slightly higher occupancy results than the PKF Outlook – 65% occupancy —at a stronger rate – $207 – by the end of the first quarter.

- Based on actual results, the industry missed their budgets by 12 percentage points in occupancy, and $8 in rate in Quarter 2 2003.

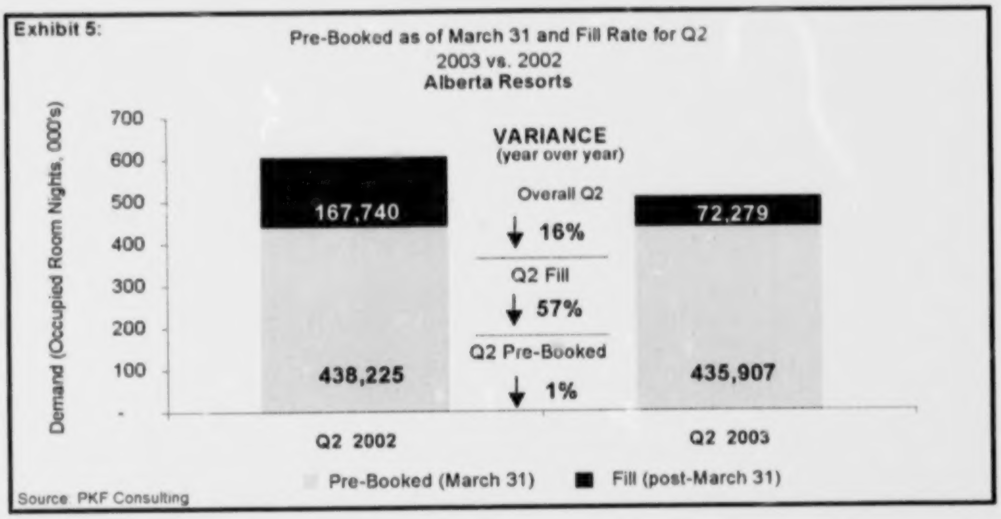
Pre-Booked Business and Fill Rate

- As of March 31st, Alberta Resort operators had pre-booked close to 436,000 room nights for the upcoming months of April, May and June – only 1% fewer room nights than were pre- booked over the same time frame last year.

- Although there was only 2,300 fewer room nights pre-booked going into Quarter 2 this year, the fill rate never transpired for the quarter. Approximately 72,300 room nights were booked during the quarter as compared to 167,740 during the same period last year – a 57% decline in the fill rate.

- With strong pre-booked business going into the 2nd quarter , the Alberta Resort sector was poised to meet industry budgets, however with the onset of SARS and geopolitical factors, the short-term infill bookings never materialized.

Exhibit 5:



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Alberta Resort industry attributed most of their decrease in demand in Quarter 2 2003 to the SARS crisis (49%) and geopolitical factors (26%).
- Approximately 68% of the demand loss in Quarter 2 2003 was due to a drop in group leisure travel, with a further 22% attributable to decreased independent leisure business.
- Furthermore, the industry equally spit the reduction in demand to domestic, US and overseas guest origin.
- Furthermore, resort operators attributed a decline in international travellers as the main loss of business at 54% and US travel at 29%.
- Based on the hotel guest's primary mode of transportation used to arrive at Alberta Resorts, over half of the loss in Quarter 2 was attributable to a decline in air travellers, with a further 26% due to less automobile traffic, and 18% attributable to a loss in motorcoach tour business.

QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

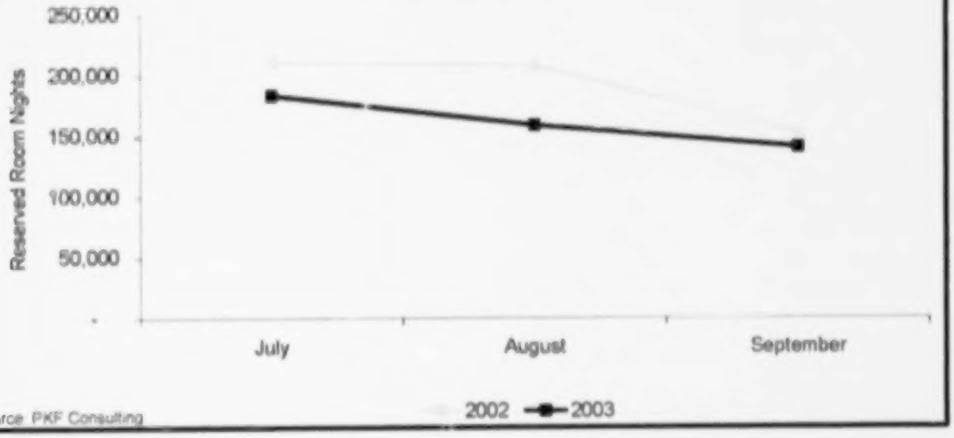
Booking Patterns

- As of June 30, 2002, 571,500 room nights or **71%** of July, August and September's 2002's business was pre-booked. In comparison, as of the same date this year, 483,000 room nights were pre-booked for Quarter 3 – which means that just under 89,000 fewer room nights were pre-booked in Quarter 3 2003 as compared to the same period in 2002.
- While Quarter 2's booking pace was only off by 1%, this year's Quarter 3 booking pace is down by 16% in comparison to last year.
- Given the low fill rate in Quarter 2, combined with the decline in Quarter 3 pre-bookings, prospects for the Alberta Resort sector are not encouraging for Quarter 3.

Exhibit 6:

Room Booking Pace (Quarter 3 - 2003 vs. 2002)

Alberta Resorts



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

- The Alberta Resort sector reported close to 40,000 room cancellations for Quarter 3 and 22,740 for Quarter 4.
- Of the total room nights cancelled in Quarter 3, 70% (27,980) were due to SARS, with a further 7,440 due to geopolitical reasons (19%).
- Approximately 1,520 room nights were cancelled due to BSE (Mad Cow disease).
- The overall Alberta Resort industry suffered an actual loss of close to **$10.9 million in rooms revenue due to cancellations during Quarter 3 2003**, of which $7.6 Million was attributable to SARS and $2 Million due to geopolitical factors.
- During Quarter 4, the sector is expected to lose a further $3.4 Million in potential room revenues, of which $1.6 Million is attributable to SARS.

Exhibit 7:
ROOM CANCELLATIONS

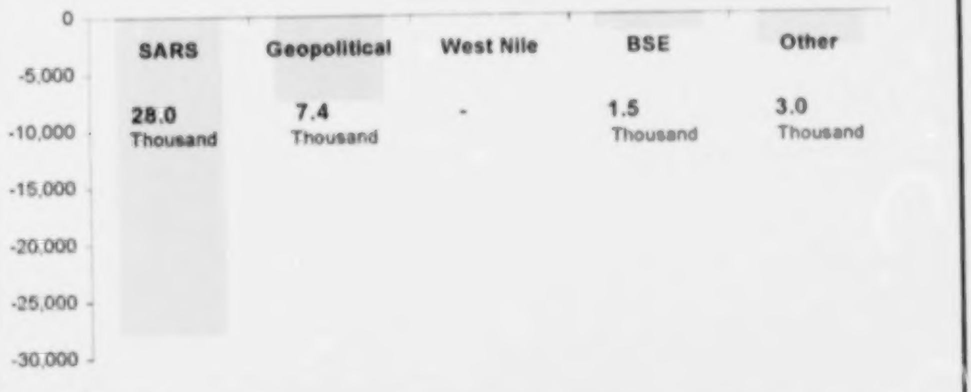
	Quarter 3	Quarter 4
Alberta Resorts	39,900	22,741
Cancelled Room Nights	27,981	10,802
Due to SARS	***70%***	***48%***
Cancelled Room Nights	7,438	6,574
Due to Geopolitical Reasons	***19%***	***29%***
Cancelled Room Nights	0	0
Due to West Nile Virus	***0%***	***0%***
Cancelled Room Nights	1,521	0
Due to BSE	***4%***	***0%***
Cancelled Room Nights	2,958	5,365
Due to Other Reasons	***7%***	***24%***

Source: PKF Consulting

Exhibit 8:

Room Night Cancellations (Quarter 3 - 2003)

Alberta Resorts

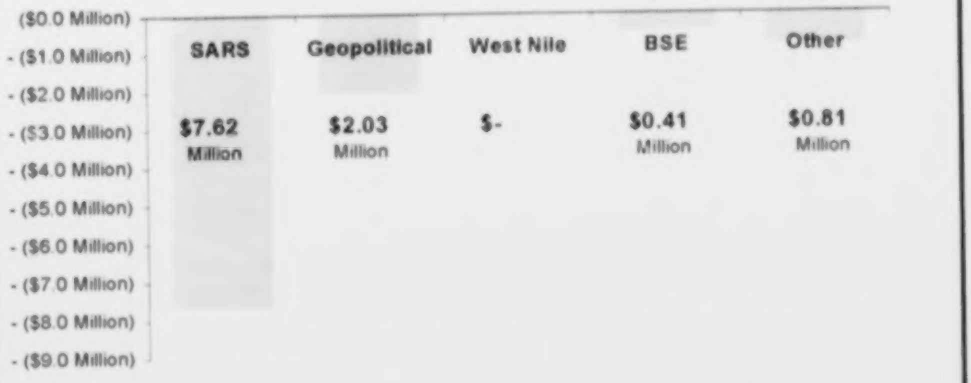


Source: PKF Consulting

Exhibit 9:

Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003)

Alberta Resorts



Source: PKF Consulting

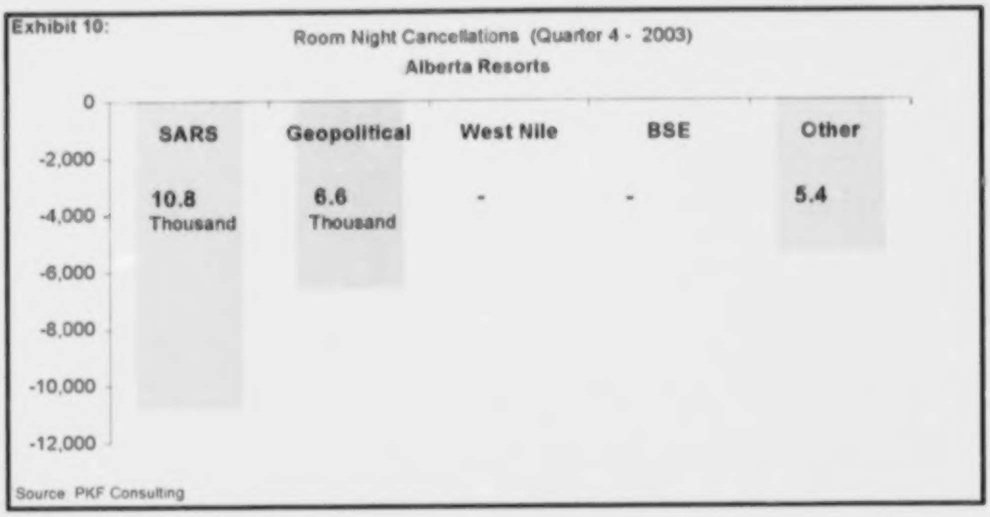


Exhibit 10: Room Night Cancellations (Quarter 4 - 2003)
Alberta Resorts

Source: PKF Consulting

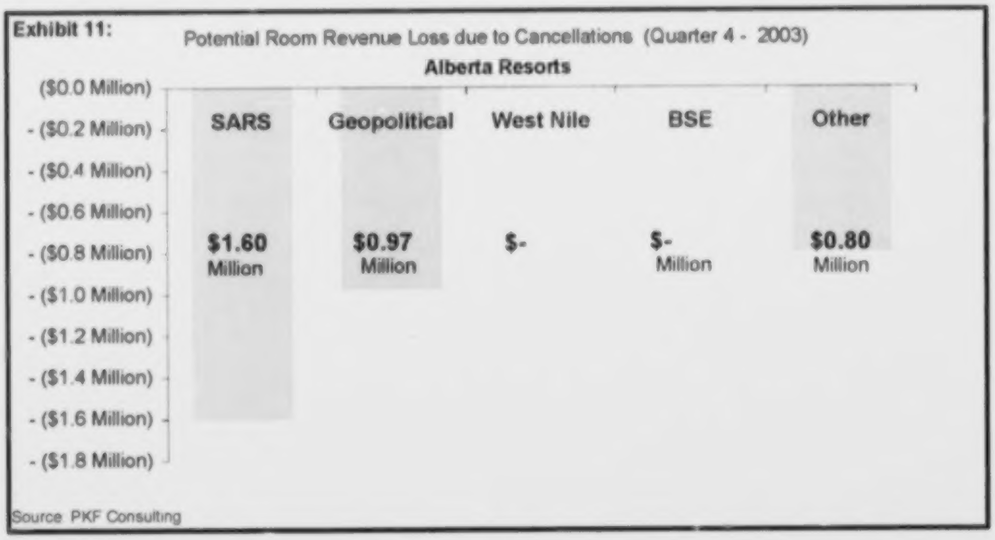


Exhibit 11: Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)
Alberta Resorts

Source: PKF Consulting

8.5 OTHER ALBERTA MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- Excluding the major markets of Calgary, Edmonton and Alberta Resorts, the balance of Alberta's accommodation market was 17,397 rooms in Quarter 2 2003 – a 2.7% increase over the same period in 2002.

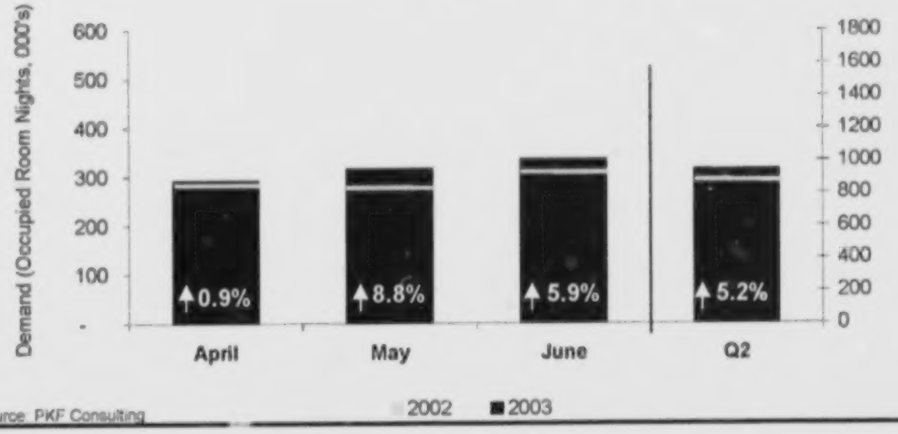
Demand and Rate

- During Quarter 2, the balance of Alberta's hotel market achieved a 60% occupancy at an average daily rate of $82. Occupancy levels were 2 percentage points above Quarter 2 of last year, and the average daily rate was up by approximately $1.
- Demand for Other Alberta hotels was **up by approximately 47,000 room nights or 5.2% in Quarter 2 2003**, as compared to Quarter 2 2002.
- On a month-to-month basis, demand for room nights in Other Alberta increased by 0.9% in April, 8.8% in May and 5.9% in June.

Exhibit 1:

Quarter 2 2003 vs. 2002 Occupied Room Nights

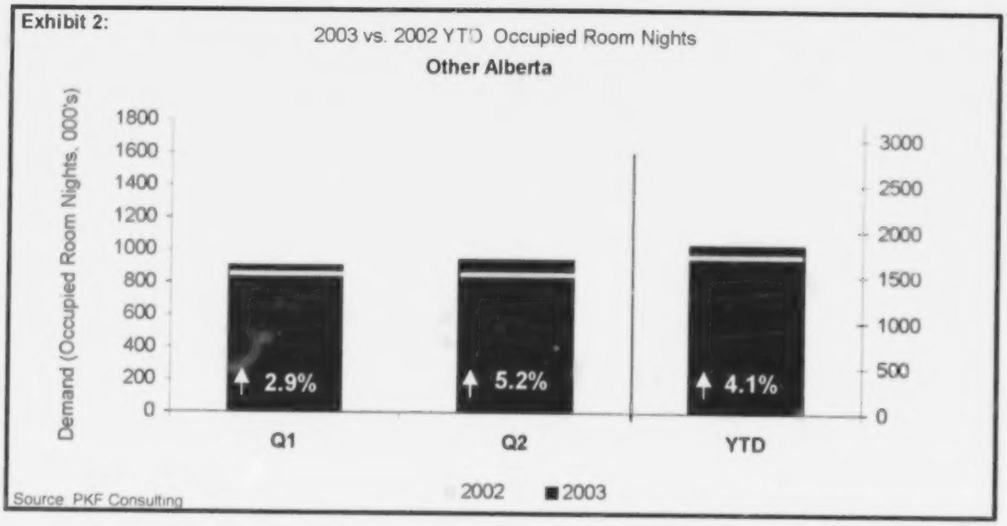
Other Alberta



Source: PKF Consulting

- Demand was up by 2.9% at the end of Quarter 1, and Quarter 2 results showed a further increase of 5.2%, bringing year-to-date results for 2003 4.1% ahead of results achieved in the first half of 2002.

Exhibit 2:

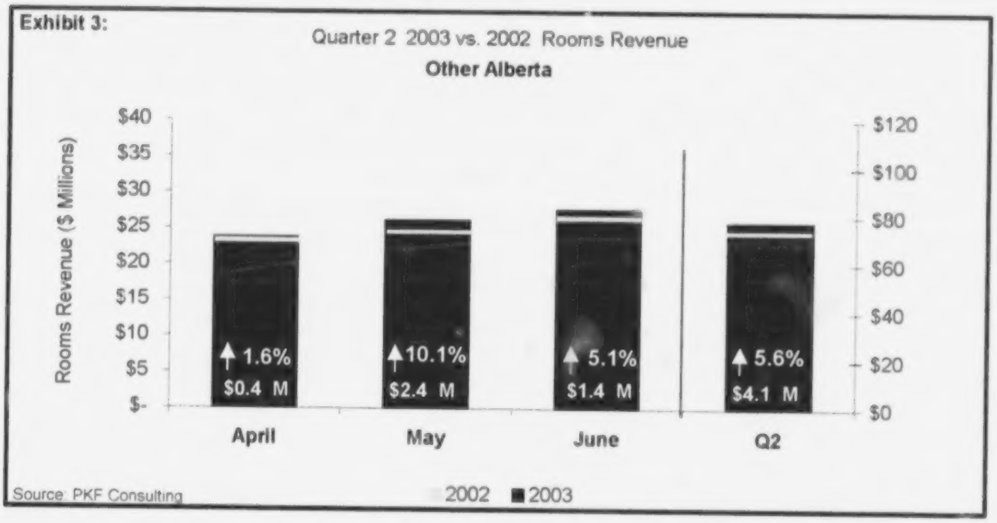


Source: PKF Consulting

Room Revenue

- With an increase in demand and stronger rates, Other Alberta's room revenue increased by 1.6% in April and 10.1% in May, and 5.1% in June.
- Overall, Quarter 2 room revenue was up by $4.1 Million (5.6%) compared to the same period last year. Given the region's positive results, year-to-date room revenue is ahead by 4.8% -- $6.9 Million above last year's results.

Exhibit 3:



Source: PKF Consulting

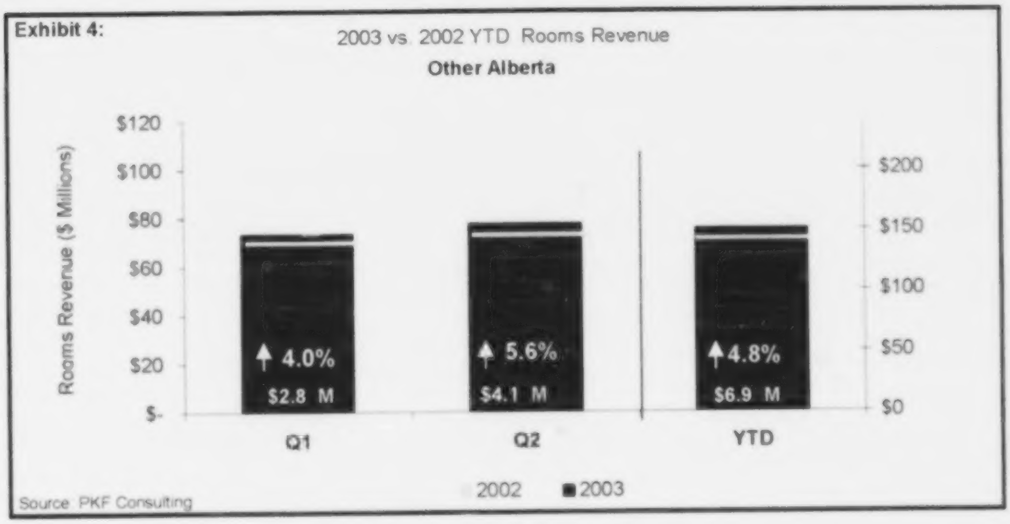


Exhibit 4:

2003 vs. 2002 YTD Rooms Revenue

Other Alberta

Source: PKF Consulting

9.0 BRITISH COLUMBIA & YUKON PROVINCIAL MARKET/PERFORMANCE

9.1 PROVINCE OF BRITISH COLUMBIA

QUARTER 2 2003: RESULTS

Total Provincial Supply Inventory

- The Province of British Columbia's accommodation market averaged 69,106 rooms in Quarter 2 2003 – a 1.0% increase over the same period in 2002, due to the addition of 717 new rooms.

Provincial Demand

- During Quarter 2, British Columbia's hotel market achieved 59% occupancy at an average daily rate of $114. Occupancy levels and average daily rates were both down by 4 percentage points over Quarter 2 2002.
- Demand for British Columbia's hotels was **down approximately 144,000 room nights or 4% in Quarter 2 2003**, as compared to the same period in 2002.

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Greater Vancouver	61%	$123	67%	$126	-9%	-2%
Greater Victoria	73%	$119	75%	$125	-4%	-5%
Whistler	40%	$158	47%	$165	-13%	-4%
Other British Columbia	56%	$90	55%	$87	4%	3%
Total British Columbia	**59%**	**$114**	**62%**	**$118**	**-4%**	**-4%**

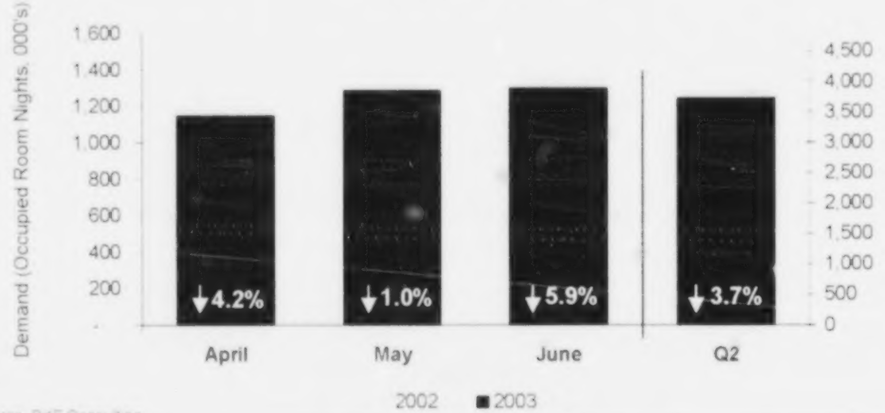
Source: PKF Consulting

- On a month-to-month basis, demand for room nights in British Columbia decreased by 4% and 1% in April and May respectively before falling further by 6% in June.

Exhibit 2:

Quarter 2 2003 vs. 2002 Occupied Room Nights

British Columbia



Source: PKF Consulting

- While demand was up by 1.9% at the end of Quarter 1, Quarter 2 results showed a decline of 3.7%, bringing **year-to-date results for 2003 1.2% below results achieved in the first half of 2002.**

9.0 BRITISH COLUMBIA & YUKON PROVINCIAL MARKET/PERFORMANCE

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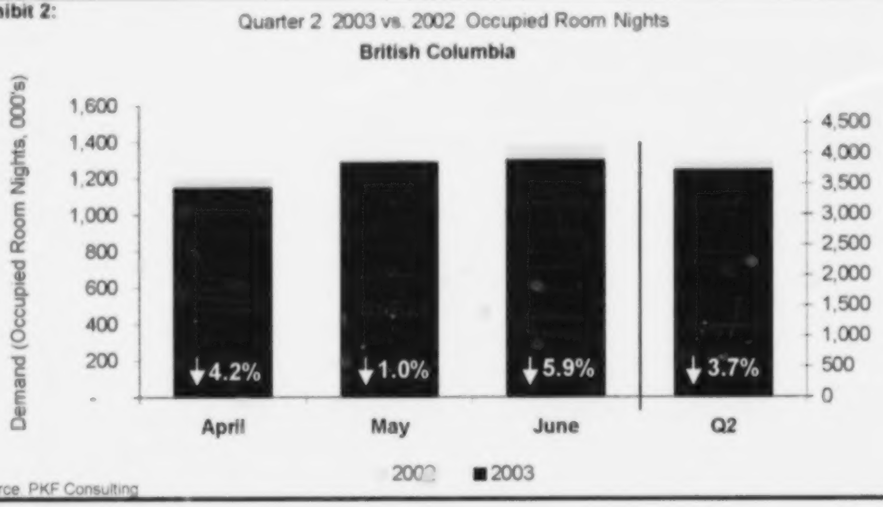
Quarter 2 2003 vs. 2002 Occupied Room Nights

British Columbia

Source: PKF Consulting

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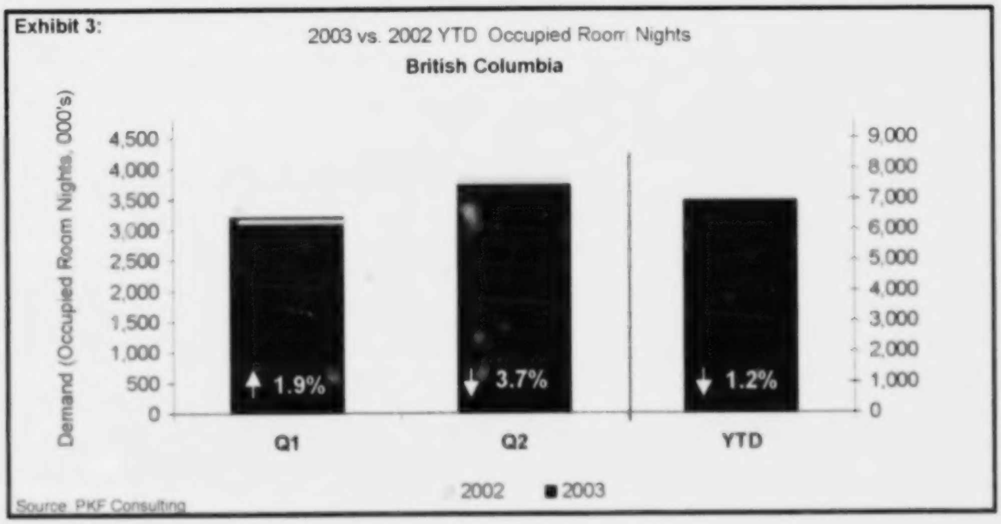
Exhibit 3:

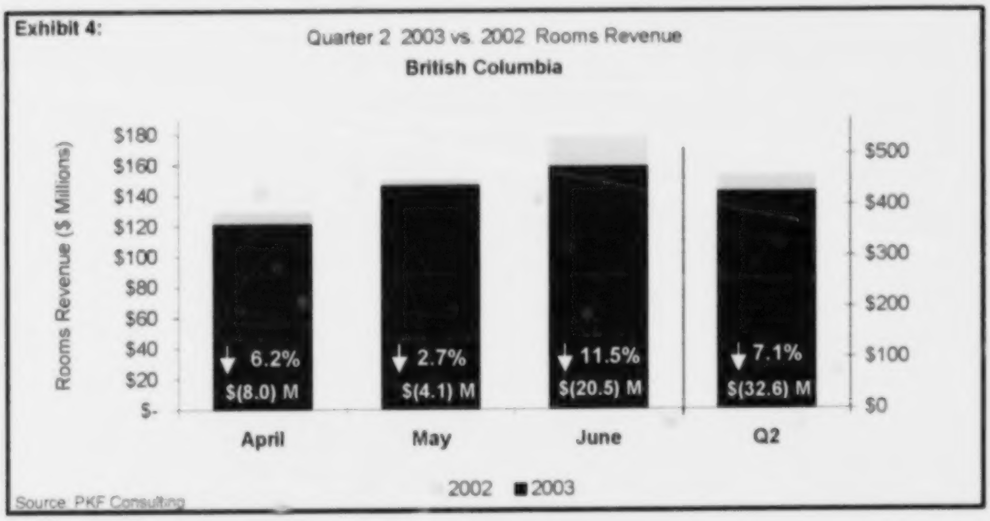


Source: PKF Consulting

Room Revenue

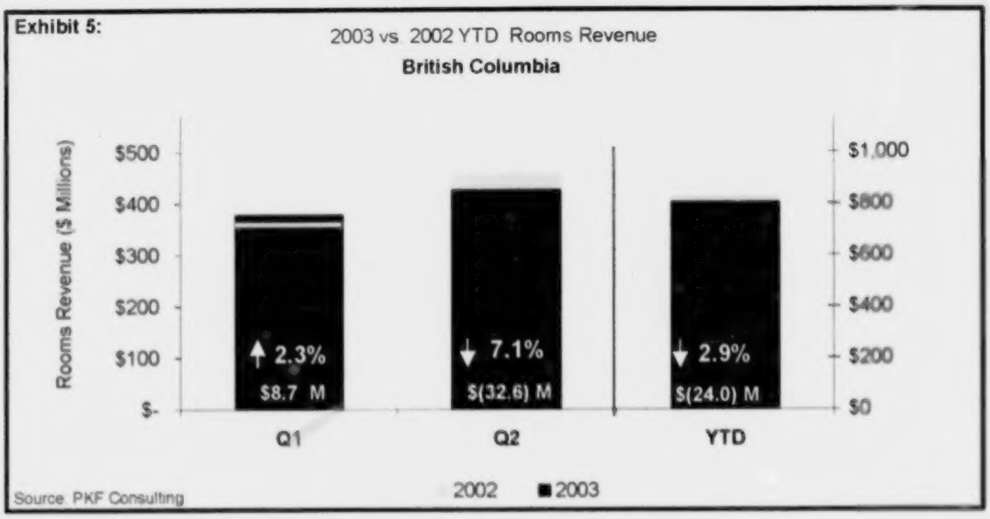
- British Columbia's room revenue declined by 6.2% in April and 2.7% in May, before significantly sliding by 11.5% in June.
- Overall, Quarter 2 room revenue was down by $32.6 Million (7.1%) compared to the same period last year. However, given the province's good start to the year, year-to-date room revenue was down by 2.9% or $24.0 Million compared to the first half of 2002.

Exhibit 4:



Source: PKF Consulting

Exhibit 5:



Source: PKF Consulting

9.2 GREATER VANCOUVER AREA

QUARTER 2 2003: RESULTS

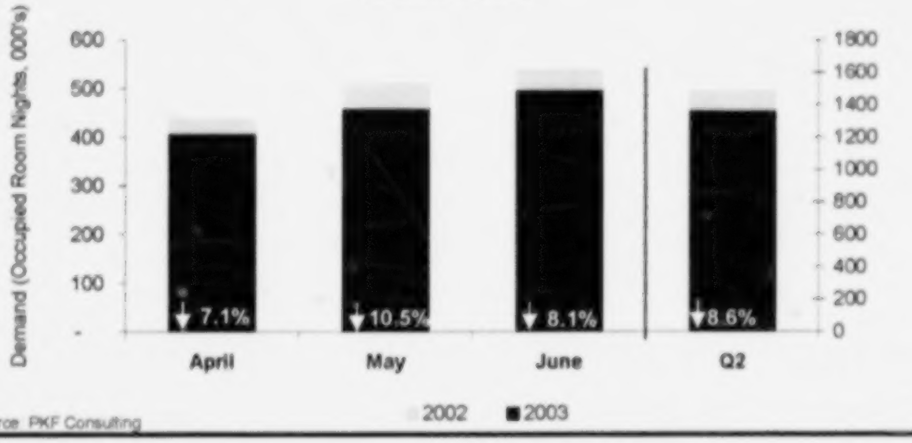
Hotel Supply Inventory

- In Quarter 2 2003, the overall inventory of hotel rooms in the Greater Vancouver market was 24,648 rooms – up 1% with the addition of 259 rooms in 2003.

Demand

- During Quarter 2, the Vancouver hotel market achieved a 61% occupancy at an average daily rate of $123.
- Demand for Vancouver hotels **decreased by approximately 128,000 room nights or –8.6% in Quarter 2 2003**, as compared to the second quarter of 2002.
- On a month-to-month basis, the industry was down by 7.1% in demand in April, followed by a decline of 10.5% in May and 8.1% in June.

Exhibit 1:

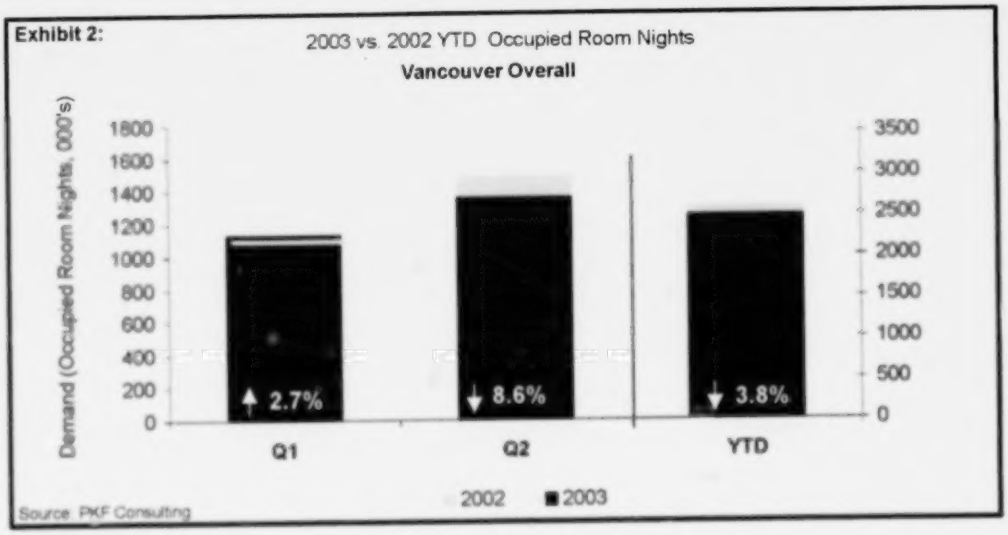


Quarter 2 2003 vs. 2002 Occupied Room Nights
Vancouver Overall

Source: PKF Consulting

- The year was off to a good start with Quarter 1 demand levels up by 2.7% in Vancouver, but the gains made in the first three months were offset by a decline of 8.6% in demand in Quarter 2, dragging the year-to-date results for 2003 3.8% below results achieved in the first half of 2002.

Exhibit 2:

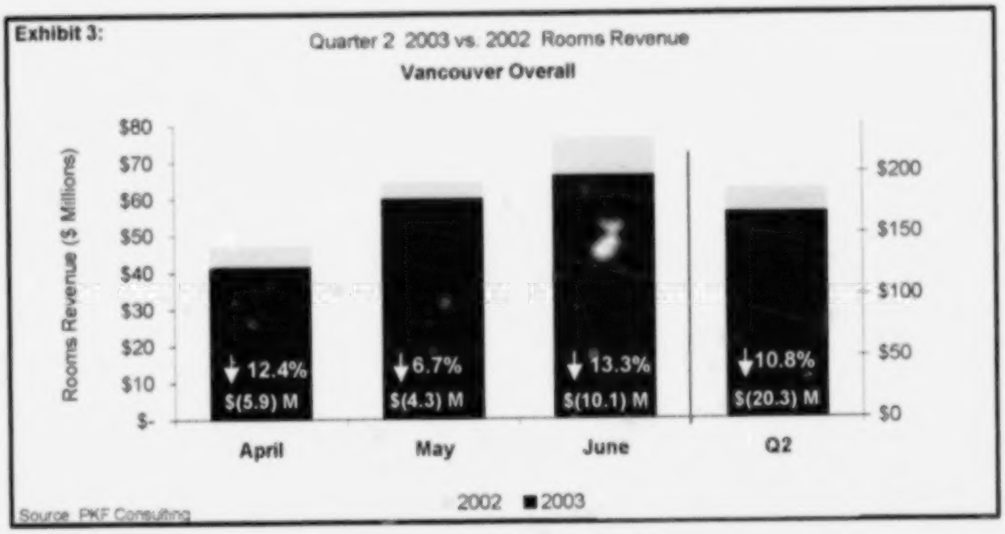


Source: PKF Consulting

Room Revenue

- Vancouver suffered a loss of $5.9 Million in room revenue during the month of April, followed by a further loss of $4.3 Million in May and $10.1 Million in June, in comparison to last year.
- Year-to-date room revenue is below 2002 results by $16.4 Million (5.6%), partially offset with the strong 1st Quarter performance.

Exhibit 3:

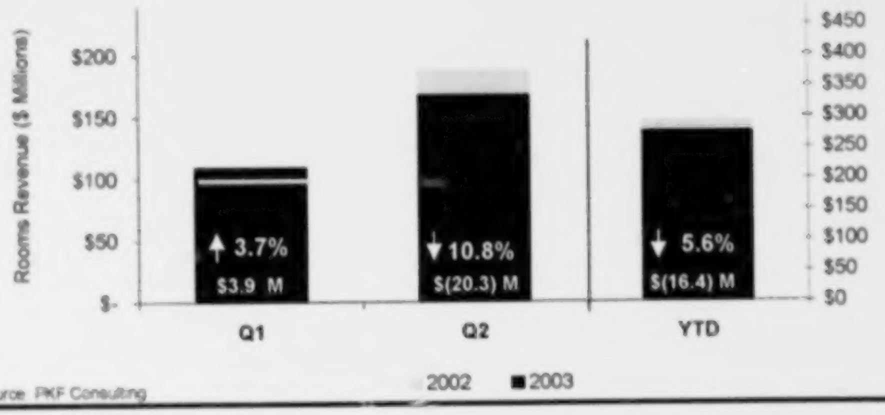


Source: PKF Consulting

Exhibit 4:

2003 vs. 2002 YTD Rooms Revenue

Vancouver Overall



Source: PKF Consulting

Budgets and PKF Outlook

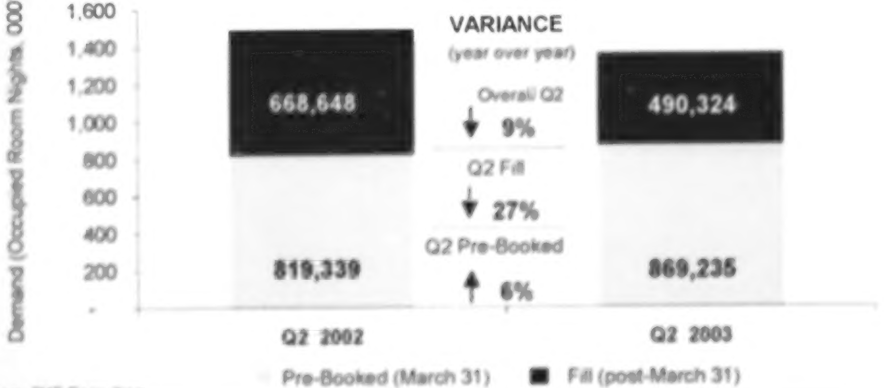
- According to our PKF Outlook for the Vancouver hotel market, prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Vancouver hotel market was forecast to achieve a 66% occupancy at an average daily rate of $128 in Quarter 2 2003.
- In preparing their operating budgets at the beginning of the year, Greater Vancouver hotels expected to achieve similar results to the PKF Outlook – 68% occupancy at a $128 ADR – by the end of the 2nd Quarter.
- Based on actual results, the industry missed their budgets by 7 percentage points in occupancy, and $5 in rate in Quarter 2 2003.

Pre-Booked Business and Fill Rate

- As of March 31st, Vancouver hoteliers had pre-booked close to 870,000 room nights for the upcoming months of April, May and June – 6% more room nights than were pre-booked over the same time frame last year.
- The fill rate for the industry was down by 27% this quarter, losing over 178,000 room night sales between April 1 and June 30, compared to last year during this period.
- With pre-bookings up as at March 31, Vancouver hotels were looking at a favourable 2nd Quarter. The momentum was lost with the onset of SARS, reducing post March 31st (fill) demand for guest rooms.

Exhibit 5:

Pre-Booked as of March 31 and Fill Rate for Q2
2003 vs. 2002
Vancouver Overall



Source: PKF Consulting

Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Vancouver hotel industry attributed most of their decreased demand in Quarter 2 2003 to SARS (46%); local, regional, national and economic conditions (15%) and other reasons (14%).

- The segment responsible for the largest demand erosion was meetings/convention travel at 30% followed closely by group leisure accounting for 27% and independent travel at 20%.

- Furthermore, the industry equally split the origin of the demand decline, allocating 36% to domestic, 34% to US and 30% to Overseas.

- Based on the guest's primary mode of transportation used to arrive in Vancouver, 53% of the loss in Quarter 2 was attributable to a decline in airline traffic, with a further 40% attributable to a loss in automobile travellers.

Results by Vancouver's SUB-MARKETS

- From a sub-market perspective, the largest loss in Quarter 2 demand levels was experienced in the suburban markets of GVA Airport (down 16.0%) supporting the above citation of airline travel being responsible for most of the demand decline in the GVA. Quarter 2 demand in Vancouver's Downtown sub-market, which has seen 1% supply growth, declined by 4.3% in 2003. The Other Vancouver sub-market saw demand erode by 13.1% during the 2nd Quarter of 2003 when compared to 2002.

- Of the GVA's three sub markets, Quarter 2 2003 booking patterns were up the most amongst the Other Vancouver hotel properties. As of March 31, 2002, these hotels began the 2003 year in April at a pace 32% higher than the year earlier, before increasing further by 65% in May and a further 79% in June. Conversely, booking patterns amongst Vancouver's two other sub-markets were below of last years pace.

- Downtown Vancouver hotels (representing about 54% of the total GVA hotel inventory) reported approximately 15,000 room nights cancelled in Quarter 3, equating to a potential loss of $2.5 Million in room revenue ($2.4 Million due to SARS and $92,000 due to Geopolitical reasons).

- The Vancouver Airport market, with an inventory of 4,208 rooms, reported over 9,561 room nights cancelled in Quarter 3 2003 – equating to an estimated loss of nearly $1.0 Million in Quarter 3, of which $450,000 was attributable to SARS and $330,000 due to Geopolitical reasons.
- The Vancouver Other market is comprised of 7,152 rooms or 29% of GVA's total hotel inventory. This market reported approximately 31,000 room cancellations in Quarter 3 2003, representing a potential room revenue loss of $3.2 Million in Quarter 3.

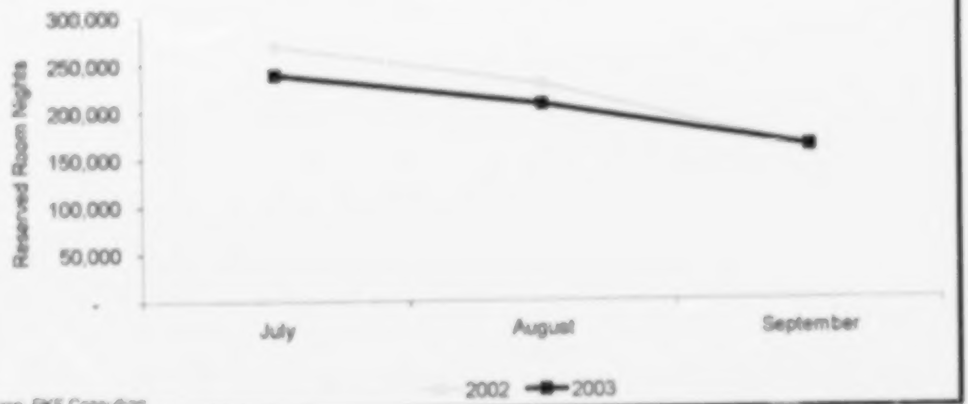
QUARTER 3 & 4 2003: BOOKING PATTERNS & CANCELLATIONS

Booking Patterns

- As of June 30, 2002, 656,116 room nights or 37% of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **607,459 room nights** of business were pre-booked for Quarter 3 – which means that close to **49,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.
- This year's **Quarter 3 booking pace is down by 7%** in comparison to last year, exactly in-line with the booking pace heading into Quarter 1, indicating that most of the 3rd Quarter lost pace could be due to consumer booking trends and not the effects of SARS.
- From a month-by-month perspective July and August are both down about 10% with September bookings improving from 2002 by 2%, foreshadowing a fall recovery.
- Looking ahead to the summer months, unless the infill improves dramatically from Quarter 2, Quarter 3 demand is also expected to be down.

Exhibit 6: Room Booking Pace (Quarter 3 - 2003 vs. 2002)

Vancouver Overall



Source: PKF Consulting

Q3 & Q4 - Room Cancellations

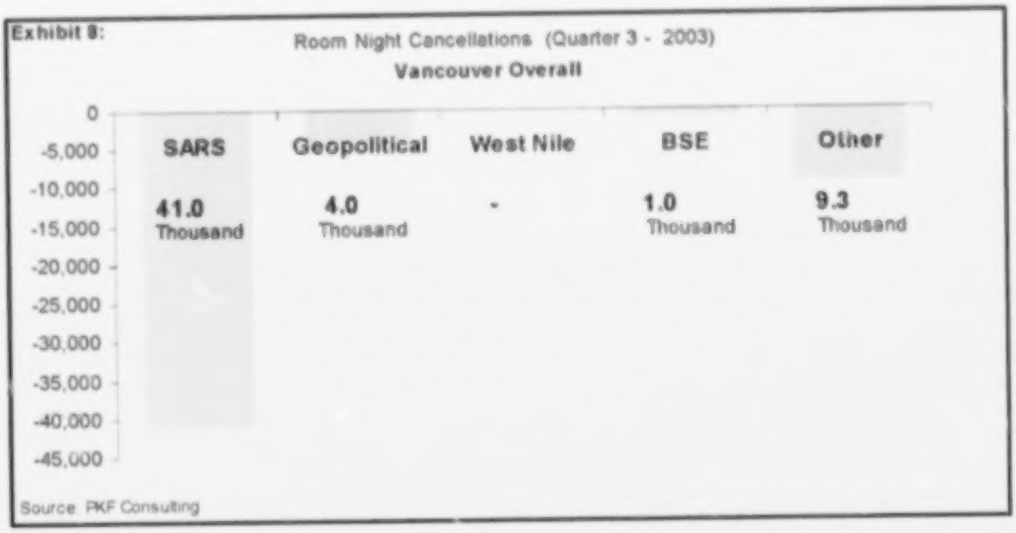
- The Vancouver hotel industry reported over 55,000 room cancellations during Quarter 3 2003, with a further 11,415 cancelled in Quarter 4. This represents 3% of last year's Quarter 3 results and 1% of the Quarter 4 results.
- According to hotel operators, the vast majority of room cancellations in the 3rd Quarter were attributable to SARS (74%), with most of the balance due to other reasons (17%).
- In Quarter 3 2003, the **potential room revenue** loss due to room cancellations in the Vancouver market is estimated at **$7.8 Million**, of which **$5.8 Million is attributable to SARS** and a further $1.3 Million to other reasons. At this stage in our analysis, we have categorized the losses due to room cancellations as **"potential revenue losses"**, as we cannot measure the actual loss until performance results for July, August and September are collected.
- Potential room revenue losses during **Quarter 4 2003** are expected to be much softer, with **$1.2 million in cancelled business**, with the majority of losses attributable to Geopolitical ($450,000) and Other ($376,000) reasons.

Exhibit 7:
ROOM CANCELLATIONS

GVA Markets	Quarter 3	Quarter 4
Vancouver Downtown	14,519	220
Vancouver Airport	9,561	10,522
Vancouver Other	31,293	673
Total GVA	**55,373**	**11,415**
Cancelled Room Nights *Due to SARS*	40,971 ***74%***	2,392 ***21%***
Cancelled Room Nights *Due to Geopolitical Reasons*	4,044 ***7%***	4,343 ***38%***
Cancelled Room Nights *Due to West Nile Virus*	0 ***0%***	0 ***0%***
Cancelled Room Nights *Due to BSE*	1,021 ***2%***	1,052 ***9%***
Cancelled Room Nights *Due to Other Reasons*	9,337 ***17%***	3,628 ***32%***

Source: PKF Consulting

Exhibit 8:



Source: PKF Consulting

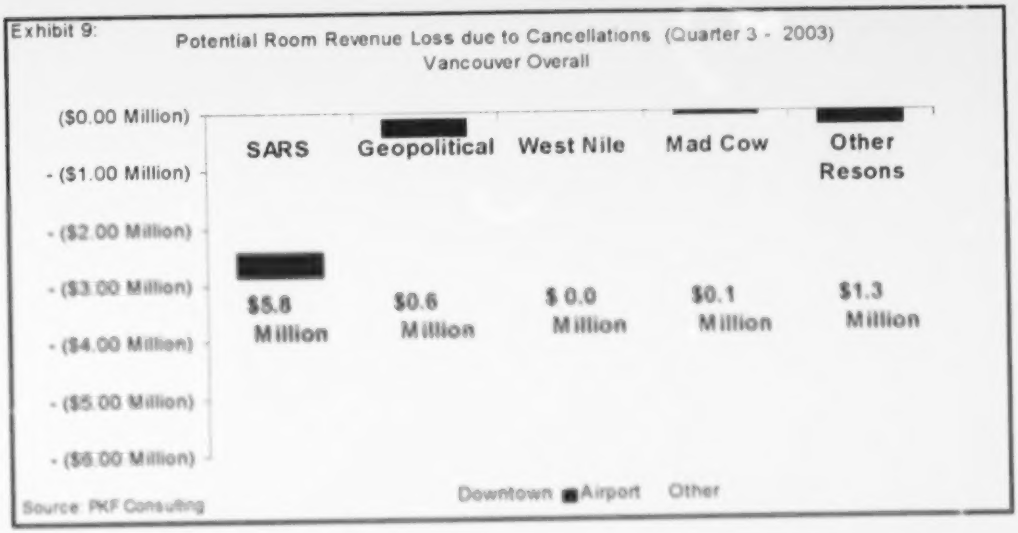


Exhibit 9: Potential Room Revenue Loss due to Cancellations (Quarter 3 - 2003) Vancouver Overall

Source: PKF Consulting

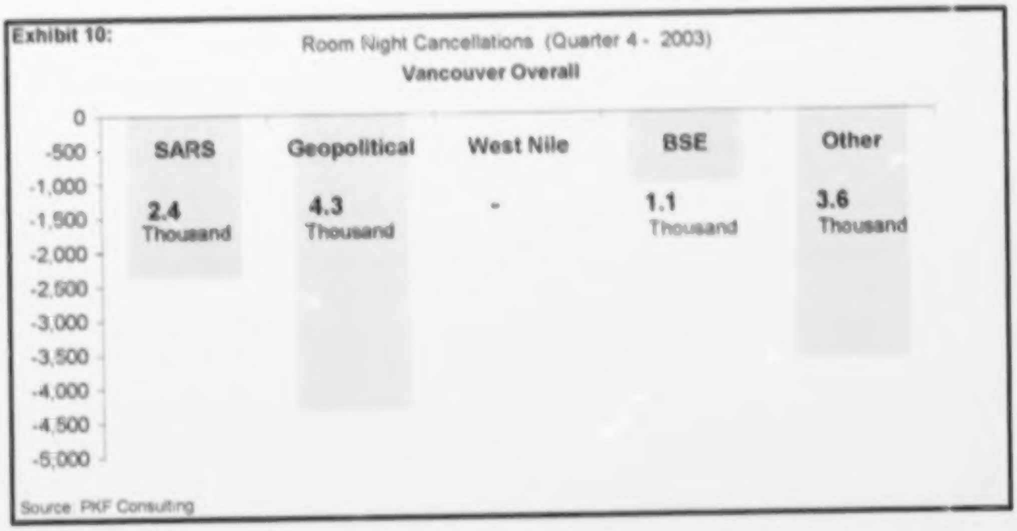
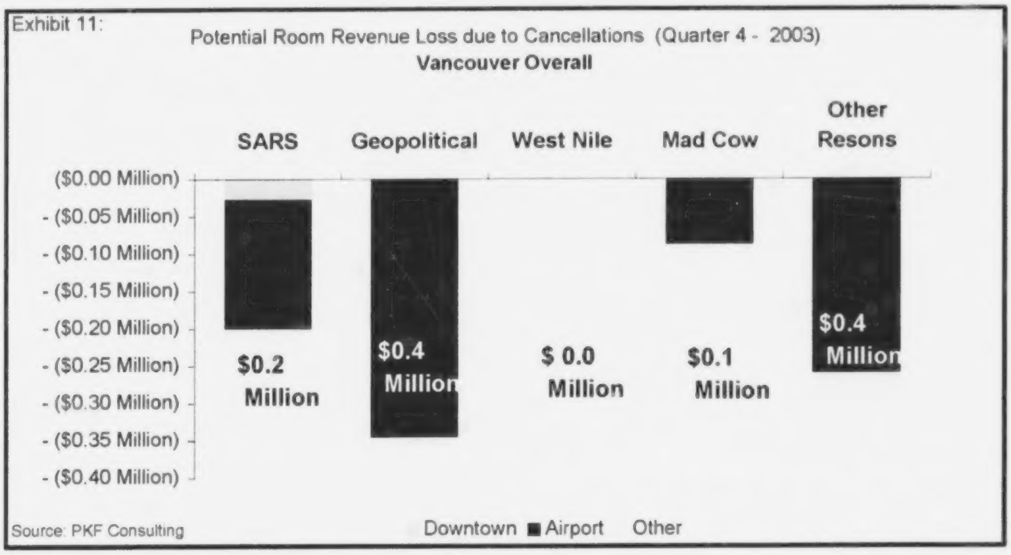


Exhibit 10: Room Night Cancellations (Quarter 4 - 2003) Vancouver Overall

Source: PKF Consulting

Exhibit 11:



Potential Room Revenue Loss due to Cancellations (Quarter 4 - 2003)
Vancouver Overall

Source: PKF Consulting

9.3 OTHER BRITISH COLUMBIA and YUKON MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- The hotel room inventory changed in all of the Other British Columbia markets. Greater Victoria's accommodations market consisted of 5,189 rooms in Quarter 2, 2003 retracted by 65 rooms (-1%) since Quarter 2, 2002. Whistler's accommodation market was 5,615 rooms, with the addition of 120 new rooms (2%) since Quarter 2, 2002. The balance of British Columbia's accommodations market was made up of 33,670 rooms in Quarter 2, 2003, a net increase of 408 rooms (1%) since Quarter 2, 2002.
- Accommodations inventory in the Yukon (primarily Whitehorse) remained flat at an estimated 1,950 rooms.

Demand and Rate

Exhibit 1: Quarter 2 - 2003 vs. 2002 Results

	Quarter 2 - 2003		Quarter 2 - 2002		% Change	
Market	Occ.	ADR	Occ.	ADR	Demand	ADR
Greater Victoria	73%	$119	75%	$125	-4%	-5%
Whistler	40%	$158	47%	$165	-13%	-4%
Other British Columbia	56%	$90	55%	$87	4%	3%
Yukon	55%	$81	55%	$77	2%	5%

Source: PKF Consulting

- In the 2nd Quarter, the Greater Victoria hotel market lost 2 occupancy points and $6 in rate compared to last year.
- Whistler lost 7 occupancy points in Quarter 2 ending up at 76% at a $158 rate – down $7 from Quarter 2, 2002.
- Other British Columbia markets finished Quarter 2, 2003 at 56% occupancy with a $90 rate – 1 percentage point higher than Quarter 2 of last year with a $3 gain in rate.
- The Yukon hotel market built on the success of the 1st Quarter, ending at 55% occupancy and an $81 rate in Quarter 2, up nearly one point occupancy and $4 in rate compared to Quarter 2, 2002.
- Demand for hotel accommodations were down by 6,000 occupied nights Greater Victoria, 30,500 occupied nights in Whistler while demand in the balance of British Columbia rose by nearly 60,000 in the 2nd Quarter.
- Demand for Yukon accommodations rose by 1,600 rooms (2%) in Quarter 2, 2003 compared to the year prior, almost identical to the demand rise reported in Quarter 1.

9.3 OTHER BRITISH COLUMBIA and YUKON MARKETS

QUARTER 2 2003: RESULTS

Hotel Supply Inventory

- The hotel room inventory changed in all of the Other British Columbia markets. Greater Victoria's accommodations market consisted of 5,189 rooms in Quarter 2, 2003 retracted by 65 rooms (-1%) since Quarter 2, 2002. Whistler's accommodation market was 5,615 rooms, with the addition of 120 new rooms (2%) since Quarter 2, 2002. The balance of British Columbia's accommodations market was made up of 33,670 rooms in Quarter 2, 2003, a net increase of 408 rooms (1%) since Quarter 2, 2002.

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Demand and Rate

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Whistler	40%	$158	47%	$165	-13%	-4%
Other British Columbia	56%	$90	55%	$87	4%	3%
Yukon	55%	$81	55%	$77	2%	5%

Source: PKF Consulting

- In the 2nd Quarter, the Greater Victoria hotel market lost 2 occupancy points and $6 in rate compared to last year.

- Whistler lost 7 occupancy points in Quarter 2 ending up at 76% at a $158 rate – down $7 from Quarter 2, 2002.

- Other British Columbia markets finished Quarter 2, 2003 at 56% occupancy with a $90 rate -- 1 percentage point higher than Quarter 2 of last year with a $3 gain in rate.

- The Yukon hotel market built on the success of the 1st Quarter, ending at 55% occupancy and an $81 rate in Quarter 2, up nearly one point occupancy and $4 in rate compared to Quarter 2, 2002.

- Demand for hotel accommodations were down by 6,000 occupied nights Greater Victoria, 30,500 occupied nights in Whistler while demand in the balance of British Columbia rose by nearly 60,000 in the 2nd Quarter.

- Demand for Yukon accommodations rose by 1,600 rooms (2%) in Quarter 2, 2003 compared to the year prior, almost identical to the demand rise reported in Quarter 1.